

UNITED STATES DISTRICT COURT

DISTRICT OF MINNESOTA

)
 In re: VEHICLE TRACKING AND) MDL No. 11-2249 (DWF/SER)
 SECURITY SYSTEM ('844) PATENT)
 LITIGATION)

)
) St. Paul, Minnesota
 This Document Relates to) July 11, 2012
 All Actions) 9:00 a.m.
)

BEFORE **THE HONORABLE DONOVAN W. FRANK**
 UNITED STATES DISTRICT COURT JUDGE

PRETRIAL CONFERENCE AND MOTION HEARING

APPEARANCES:

For the Plaintiff: Farney Daniels LLP
 BRYAN FARNEY
 MAEGHAN E. WHITEHEAD
 JACQUELINE LU
 800 S. Austin Avenue, Suite 200
 Austin, Texas 78626-5845

And

Alan Anderson Law Firm LLC
 ALAN M. ANDERSON
 Suite 1260 The Colonnade
 5500 Wayzata Boulevard
 Minneapolis, Minnesota 55416

Official Court Reporter: JEANNE M. ANDERSON, RMR-RPR
 Suite 146 U.S. Courthouse
 316 North Robert Street
 St. Paul, Minnesota 55101

Proceedings recorded by mechanical stenography;
 transcript produced by computer.

APPEARANCES (Continued) :

**Lead Liason Counsel
For the Defendants:**

Barnes & Thornburg LLP
DOUGLAS J. WILLIAMS
225 South Sixth Street
Suite 2800
Minneapolis, Minnesota 55402-4662

FOR THE DEFENDANTS:

Fish & Richardson P.C.
MICHAEL E. FLOREY
3200 RBC Plaza
60 South Sixth Street
Minneapolis, Minnesota 55402

And

Jones Day
DANIEL T. CONRAD
2727 N. Harwood Street
Dallas, Texas 75201

And

Finnegan, Henderson, Farabow,
Garrett & Dunner, LLP
THOMAS W. WINLAND
901 New York Avenue, NW
Washington, DC 20001-4413

And

Frommer Lawrence & Haug LLP
SAMUEL DESAI
745 Fifth Avenue
New York, New York 10151

And

Shearman & Sterling, LLP
SCOTT DOYLE
801 Pennsylvania Avenue N.W.
Suite 900
Washington, D.C. 20004-2634

P R O C E E D I N G S

I N O P E N C O U R T

THE COURT: You may all be seated. Thank you.
Good morning, Counsel.

ALL COUNSEL: Good morning, Your Honor.

THE COURT: I guess we will soon find out if we
are on the same page here for oral argument. I will
indicate the following, on an issue not related to the
argument on the requested motions filed this morning.

I suggested, it was his decision, but I suggested
to Magistrate Judge Rau there really would be no reason for
him to sit in on these arguments with me since I will be
making the calls on them, unless he felt they were useful
for some other purpose in things he will be doing. And so
that is why he is not seated up here with me as we typically
do in MDLs.

However, what I wasn't certain about, so he is
kind of on call, I said once the arguments are concluded, we
may take a short recess. And then whether we do it in the
courtroom or retreat to the conference room and have a
discussion, whether it is brief or otherwise on something I
had read in exchanges with Ms. Schaffer about any schedules
for settlement or mediation discussions with one or more of
the parties, and so I said we may be giving you a call to
meet with us either in the courtroom or after we are done,

1 here. Unless when we are done here one or more of you are
2 saying, well we really weren't thinking of doing that today.
3 So that is how I interpreted kind of what I read in some of
4 the exchanges.

5 Were one or more of you assuming we would probably
6 get together, whether it was on that issue or any other
7 issue, scheduling or otherwise, before -- once we are done
8 here, but before you leave the building? Does that seem
9 like a reasonable plan? I will ask the Plaintiffs first.

10 MR. FARNEY: Yes, Your Honor. I think at least
11 one thing that you and Judge Rau asked us to address when we
12 were here this time was our proposals for a settlement
13 schedule or settlement discussions and so forth. So, I
14 think we are prepared to discuss that.

15 MR. WILLIAMS: And Your Honor, good morning. We
16 discussed that again over coffee this morning before we came
17 in. And I think that our response would be brief and would
18 be to the point and you might even just be able to refer
19 that back to the Magistrate Judge. We think that it would
20 make sense for the Court to try that, but we think that
21 probably at this point it might be a little bit too early to
22 be as beneficial as it might be. So, 60 days down the road,
23 90 days down the road, we think it might be beneficial.

24 THE COURT: Why don't we talk about it afterwards?
25 I mean, I will make a couple of observations, not

1 necessarily applicable or unique, depending on your point of
2 view to MDLs, and maybe it is more of a criticism. I want
3 to be sensitive, and I think our District is, there is a
4 trend -- and there ought to be some credibility in our
5 District's position, because we are in any given year the
6 fourth or fifth busiest District in the country, not because
7 of our criminal work, but because of our civil work.

8 And so, we are all generally critical of trying
9 not to send a message -- and I think you get it more in some
10 of the State Courts. I didn't do it as a State Judge of
11 saying, everybody is going to settlement. We don't care the
12 status of the case. One size fits all. You are going in
13 with or without limited or staged discovery. And sometimes,
14 that is why we are here. Decisions need to be made. You
15 need to get some decisions from the Court.

16 But, we also, having said that, we are careful to
17 try and let lawyers manage their cases. So, if it appears
18 that, well, we should give access to the Federal Court, and
19 if we know, well we need this decision from the Court, and
20 then we would like to have early settlement discussions on
21 one or more issues, we try to be sensitive to that, without
22 saying, everybody does the same thing in every case.
23 Because I think there is a bit too much of that in some of
24 the courts. And they would assert some of them, and I would
25 respectfully object that it is lack of resources or they

1 just don't have time to hear the motions. I don't think
2 that is a very plausible explanation.

3 So, and what I will give you for a timeline here,
4 and then you will have to tell me at the end of the
5 arguments that, well, we didn't know that coming in. And
6 here is an unintended consequence of that timeline that you
7 should be aware of, so can you adjust your timeline?

8 In most cases I would have a memorandum opinion
9 out on all of the matters I am hearing today in no longer
10 than 20 to 30 days. We are probably going to nudge up
11 closer to 45, candidly speaking, because I really owe it to
12 some parties -- none of your firms, to get at least one
13 *Markman* hearing order out in a *Markman* hearing we had not so
14 long ago, and a couple of other matters. So, it is a little
15 longer than I would like to get a memorandum opinion out
16 addressing all of the issues that are in front of me in both
17 the letter briefs and the memorandums. That is kind of the
18 timeline.

19 So, if you need my help or Judge Rau's help, well,
20 that messes up the following schedule for us so we can't
21 agree on what to do between now and then, so here is what we
22 are going to have to have the Court decide. We will discuss
23 that, as well. And that comes up in a non-MDL setting, at
24 least in my court after most summary judgment and
25 dispositive motions hearings to see, well, how is this going

1 to affect -- is there something I can do to minimize that?
2 And sometimes, I am not going to offer it just yet, but
3 after the argument, sometimes if there is some significant
4 consequence to a timeline like that, in some cases I am
5 known to say, well, I will send out a two-page opinion
6 saying, here is my decision, the memorandum to follow.

7 And oftentimes lawyers say, we would rather get
8 the whole thing all at once, and then we will go forward.
9 So, we will discuss that at the end, as well.

10 Now, my interpretation is by the exchanges
11 yesterday and the day before between counsel and with Brenda
12 Schaffer is that I think it appears that everybody is
13 essentially on the same page on how we are going to proceed
14 with oral argument this morning? And so, let me just put
15 out a couple issues for everyone. And I think whether I
16 would have -- whether I would say this at the beginning or
17 not, I think that you would probably all address them,
18 anyway, because with maybe one, or maybe no exceptions, they
19 are all touched on in one or more of the briefs.

20 Obviously, especially in the patent law context,
21 and especially for those Districts like ours, and I think
22 with really no exceptions, the Federal Circuit has given
23 their sign of approval. There is a, I think, a distinction
24 between specifically identifying in pleadings those factual
25 contentions of infringement that are likely to have -- I

1 will use a phrase from some of the opinions in the Federal
2 Circuit -- likely to have evidentiary support after
3 reasonable opportunity for further investigation or
4 discovery. And that is quite different from those factual
5 pleadings and contentions of infringement saying, here is
6 the evidentiary support we allege, because in one there may
7 be some justifications for additional discovery. And in the
8 other, they are saying, no, we had a good faith basis. Here
9 it is. Because I think there are different types of
10 contentions. So, I suspect I will hear today from Plaintiff
11 that, well, most of ours -- at least half of ours fall into
12 the latter category. We have shown sufficient specificity,
13 with evidentiary support, but we acknowledge there are some.
14 Or were you saying, we have a good faith basis for saying
15 they are likely to have evidentiary support with some
16 limited discovery. So, that is one issue that I assume will
17 be addressed today.

18 The issue that the Plaintiff has raised in every
19 brief is, in effect, and I am sure he will correct me if I
20 have overstated what he said, in effect what he has
21 responded to each of you on both the motions for sanctions,
22 the motion for pre-filing investigation and the motion
23 overall to say, well, you can't go beyond the claim
24 contentions in the chart, the summaries in the charts.

25 What in effect he is saying, well, even if they

1 are -- with or without these motions, if I can prove whether
2 it is next week or next month or two months from now that I
3 have got good cause, either because it was a software issue
4 and I claim I didn't have reasonable access to compare the
5 accused device with our claims, and there are other
6 alternative arguments, of course, I will either show you
7 good cause, I will either have it or I won't. And if I
8 don't, there may be attorney fees, there may be pre-filing
9 investigation. Or if I do have it, end of story.

10 I think Plaintiffs are suggesting that there is
11 nothing I can or should do that if that good cause arises --
12 now, I will give you an interpretation of a word that I
13 don't see in any of the Defendants' briefs.

14 I am assuming that one or more of you are
15 suggesting that, well, it is so plain to see what has
16 happened here, that whether I use a phrase that we would see
17 in a Rule 12 setting, the Doctrine of Futility, saying it is
18 so painfully obvious what happened here, that nothing really
19 can possibly change. And so, there is nothing premature
20 whatsoever about what we are asking the Court to do today.

21 And some of these don't stand in the same place,
22 whether it is the pre-filing investigation that has been
23 asked for, the sanctions, or the limitation on stepping
24 beyond the pleadings as they are. So, those are, I think,
25 the issues that have kind of been placed in front of me.

1 I will say something, so I will think out loud,
2 then I will stop talking so we can go to the arguments. I
3 believe we have come to a point, and actually we hear it in
4 non-patent cases and non-MDLs, too. I think we are beyond
5 the notice pleading stage of saying, well, notice is about
6 all we need to do. You know, we had those arguments in
7 *Twombly* and *Iqbal*, but I think with the Local Patent Rules,
8 the Federal Circuit has said time and time again, but one
9 size doesn't fit all, there is an entire justification for a
10 judge in a district with local rules to require the
11 specificity early on in the case as a proper tool to manage
12 the case, and just a minimal Rule 8 entry into the case may
13 not be enough. That is kind of an issue you have each put
14 in front of me in different ways, as well, today.

15 So, without suggesting I have touched on all of
16 the issues you put in front of me, I just thought I would
17 think out loud for a moment and put two or three of those
18 things out here in the open.

19 So, with that, and I guess that is my way of
20 saying, too, it would appear that not unlike other patent
21 cases, that unlike -- well, not unlike other patent cases,
22 that probably regardless of how I rule, and maybe this is
23 unfortunately so for one or more of your respective clients,
24 it would appear by the posture of the case, we are likely to
25 revisit one or more of these issues at some point in the

1 future, with whether it is a Rule 12 motion or some other
2 motion or Rule 56, regardless of what I do here. But, it
3 doesn't make it any less important today if I can be of
4 assistance in making some rulings that will not just follow
5 the law, but help streamline the case a bit.

6 So, I would note, just in passing, maybe I said
7 this at a prior hearing, irrelevant to the merits today, our
8 District is one of the few districts. We oppose the
9 specialization -- have I mentioned this to you before,
10 probably? We do oppose that specialization initiative that
11 is made in good faith out in Washington for patent -- where
12 they say -- have I mentioned this to you before? I may
13 have. Where they say that's -- and the reason we oppose it,
14 of course, is we each have in any given year not less than
15 about 12 patent cases each.

16 And I think Districts like ours oppose it saying,
17 how could you possibly have one Magistrate Judge and one
18 Judge take all of these cases? And a number of law firms
19 have said over the years, well, you would think differently
20 if you were in front of a judge who had been there 20 years
21 and he or she was on their first patent case and was trying
22 to find a way not to hear it. But, we have a fair number
23 that come before us.

24 So, with that in mind, unless you need me to set
25 the stage or there is an issue about who would like to go

1 first with each of the arguments and respond, maybe we could
2 have, without trying to exclude anybody, whether it is Mr.
3 Williams or Mr. Anderson or Mr. Farney say, well here is how
4 we assume the morning is going to go.

5 Do you want to give me a clue and then I will
6 check in with Plaintiff's counsel, as well?

7 MR. WILLIAMS: Yes, Your Honor, good morning.
8 Doug Williams on behalf of the Defendants. What we had
9 understood that we would do today is that we would have
10 first the arguments on the common aspects or the Joint
11 Motion that was filed by the Defendants, and I would present
12 those arguments and then Plaintiff would respond to that
13 joint portion.

14 THE COURT: Okay.

15 MR. WILLIAMS: And then the individual motions for
16 each of the Defendants would then be argued and presented by
17 each of those individually, only one person speaking to each
18 of those issues. That is how we perceived that it would go
19 this morning.

20 MR. FARNEY: Your Honor, Bryan Farney for PJC
21 Logistics. That is essentially how I understood it. I was
22 travelling yesterday when Mr. Anderson and Mr. Williams
23 worked out that agreement.

24 THE COURT: Right.

25 MR. FARNEY: The only mild modification I would

1 make to that is we would like to take a little bit more time
2 in our first response to the Joint Motion to give a little
3 bit of background that is relevant to all of it.

4 THE COURT: That is fine.

5 MR. FARNEY: And if we take a little less time on
6 the others, because we won't have to repeat ourselves?

7 THE COURT: That is fine. We can begin whenever
8 you are ready.

9 MR. WILLIAMS: Thank you, Your Honor. And I think
10 it is helpful, Your Honor, for your comments this morning to
11 actually shorten and focus some of the things that I was
12 going to do.

13 THE COURT: And a Judge always runs a risk when
14 you come out and say a few things that, saying, well, I
15 think the Judge is oversimplifying things or glossing over
16 some things.

17 And frankly speaking, in an MDL, it wouldn't be
18 the concern of the Plaintiff, but in a number of cases there
19 are always exceptions. Some Defendants are worried: One,
20 some haven't come in many MDLs voluntarily to the table; and
21 then two, everybody says, well we don't want to get
22 everybody on some issues, just everybody grouped in
23 together, because some of us are in a little different
24 position than others. But, I know there is always that
25 concern that, well, the Judge has oversimplified or glossed

1 over. But, I just thought that, well, it is probably a
2 Judge's responsibility if I am thinking about something that
3 kind of seems to be one or two themes, I ought to say so.

4 MR. WILLIAMS: And it does help, Your Honor. I
5 actually planned on spending a little more time on some of
6 the basics, because I know that it is Magistrate Judge
7 Rau's, one of his early patent cases.

8 THE COURT: It is.

9 MR. WILLIAMS: So, I was going to spend some time
10 going through some of those things that I know now I can
11 sort of skip. If you are going to focus on those, I don't
12 need to take you back through all of these --

13 THE COURT: Well, and I don't want to give you the
14 wrong impression about Judge Rau. He was planning on being
15 here, proof of which is I had a chair up here. And I had
16 actually sent him an e-mail later last night saying, in
17 light of where it has evolved, I said, it is up to you and
18 one of your lawyer/law clerks if you want to participate in
19 some way. But, we are going to hear the arguments first.
20 And I said it is fine with me if you don't participate and
21 sit up here. And if something comes up, I will let you
22 know.

23 But, I suppose you are all thinking, for the
24 reasons you just said, well it is early on and one of his
25 first patent cases. But a little bit different than an MDL,

1 too, because one, most of us in this District refer very
2 little of that work to the Magistrate Judge, not because
3 they can't handle it; but two, the MDL Panel kind of
4 contemplates in the advice I got in my very first MDL years
5 ago was, unless you are doing most of the work, you don't
6 get to know the lawyers and you don't get to really know the
7 case. And I think there is probably some legitimate
8 validity to that.

9 I don't want to leave the impression, he is not
10 here because he didn't want to be, I kind of suggested to
11 him that it probably wouldn't be necessary. If you want me
12 to call him because one of you were hoping to give him a
13 tutorial this morning -- but I don't think I am hearing
14 that.

15 MR. WILLIAMS: And this is a particular area where
16 his time when we get to doing a tutorial on some of the
17 patent principles and some of those things will be better
18 spent on the merits than it will be on the nature of the
19 infringement charts and what we should be doing now and all
20 of that. I think over the years he will come to a full
21 understanding of it, that is, but it makes it easier for us
22 today for that purpose.

23 THE COURT: Okay.

24 MR. WILLIAMS: It also, Judge, and I want to say
25 this for the benefit of the attorneys in from other

1 Districts, that it is always a pleasure to appear before a
2 Judge that has also done its homework. So that what we are
3 doing here, we really get to focus on the issues. We don't
4 always get afforded that opportunity in some of the other
5 Districts, busy Judges that will come in sometimes and not
6 having read the material. So, I can tell this morning, Your
7 Honor, that you are on top of the key pieces.

8 THE COURT: Well, hopefully to some extent, yes.

9 MR. WILLIAMS: And that is where I am going to
10 take it right to that particular point. And that is, what
11 do we do now? We got here because we had a problem with
12 respect to these infringement contentions in our claim
13 charts, and we raised that a number of months ago.

14 The Court says, all right, here is what I need you
15 to do, Plaintiff, I need you to be specific. I need you to
16 respond in the following way. The Court issued Pretrial
17 Order No. 3. So, what we are dealing with here today is not
18 what the standard rule is in the Eastern District of Texas,
19 not what the standard rule is in the Northern District of
20 California, or maybe Alabama or some other District. We are
21 dealing with, have they complied with Pretrial Order No. 3
22 and the way that Pretrial Order No. 3 is worded? And they
23 haven't done so.

24 What we are not doing today, Judge, is going back
25 and rearguing the position on the aspect of the literal

1 infringement piece. We think that these contention charts
2 are still inadequate on a couple of key points. But, I
3 think we are at the point where it is as good as we are
4 going to get. And we have enough that we can get past that.

5 But, with respect to a couple of aspects of it,
6 and I am going to highlight that right now, that is the
7 Doctrine of Equivalents --

8 THE COURT: All right, and the indirect --

9 MR. WILLIAMS: -- indirect infringement. This is
10 what we have got, Your Honor, and I will --

11 THE COURT: Now, I am going to do something here,
12 even though you have -- I am not trying to create mood
13 lighting for everybody. We would do this if we had a jury
14 over here, too. We have got a couple of preset conditions
15 that -- well, let's try the next one. But, we will leave it
16 there.

17 You have got screens. If you want me to go down
18 to the next -- I don't have candlelight or anything, but if
19 you --

20 MR. WILLIAMS: This is all I am going to show is
21 this particular --

22 THE COURT: And I have my own screen here, too,
23 because I usually work off of here. So --

24 MR. WILLIAMS: Because this is it, Judge, the
25 first two highlighted sentences deal with the Doctrine of

1 Equivalents. It is in a footnote. The second two sentences
2 in the next paragraph deal with the indirect infringement.
3 It is in a footnote. And that is all we have got. And
4 Pretrial Order No. 3 -- and this is, by the way, this is the
5 one for FleetMatics, I believe this is for?

6 MR. CONRAD: Hyundai.

7 MR. WILLIAMS: Hyundai. But, this language is the
8 same with respect to each of the infringement charts that
9 are presented. That is all that we have got.

10 Now, what our position is, is this. At this point
11 in time, now they say, well, we have given lots of facts, we
12 have given lots of information, we have produced volumes and
13 volumes and volumes of information, and it is a lot of
14 detail.

15 Let me first talk about the detail that they have
16 given us. These claims, and I was going to spend some time
17 with Magistrate Judge Rau on this to sort of go through how
18 a claim is drafted. I don't need to do that with you, Your
19 Honor. But you know that this is a longer, or it is a
20 longish patent claim. But, the vast majority of the things,
21 the elements that are in that claim are old things. It is
22 like it is a truck, or it is a vehicle that has got a
23 steering wheel and it has got brakes and it has got
24 windshields, and it has got all of that. They give us lots
25 and lots of detail, and lots of diagrams and stuff to the

1 stuff about these patent claims that really is the old
2 features, the stuff that wasn't invented.

3 But, when we get down to a couple of critical key
4 pieces, Claim 7, for example, has a key limitation that says
5 that it will transmit only -- these cellular transmissions
6 take place only when they are in range of a receiver.

7 We get to that point in the process, and this is
8 also a problem with respect to the literal thing, but we are
9 going to leave that out for now, they are dead silent on
10 that. Dead silent on what goes on there.

11 There is another one that talks about signal
12 prioritization. And that prioritization, when we get to
13 that part, which is also a different feature from what was
14 in the prior art, dead silent. Very, very, very sketchy
15 information.

16 So, now, if those things they either -- they say
17 are not present, or different, or whatever else, at this
18 point in time they should have stepped up under the Doctrine
19 of Equivalents and said: Okay, with respect to the issue of
20 in range, there is a difference. And we acknowledge there
21 is a difference. And we don't have a literal infringement
22 on that. But, here is why under the Doctrine of Equivalents
23 that we believe that there is infringement.

24 Then that detail, Your Honor, that was in your --

25 THE COURT: Pretrial Order No. 3?

1 MR. WILLIAMS: Yes, Your Honor. Which says, step
2 up and give us this information. And it says, "If there is
3 a contention by Plaintiff that there is infringement of any
4 claims under the Doctrine of Equivalents, Plaintiff shall
5 separately indicate this on the Claim Chart and in addition
6 to the..." literal infringement things that were stated
7 before, "...shall also explain each function, way, and
8 result that it contends are equivalent, and why it contends
9 that any differences are not substantial."

10 Now, the things that means "in addition to," the
11 Court said, I don't just want your naked conclusory
12 contentions, but said that I want you to provide me with
13 your facts, with your facts.

14 Now, they criticized this in their brief saying,
15 you are asking for us to put on our evidence, to put on our
16 evidence, and this is ridiculous, I believe they said in
17 their brief. Well, it isn't ridiculous. That is what the
18 Order said is to tell us what facts you base this upon right
19 now. We see no facts that tell us that with respect to
20 those key elements of this thing why there is infringement
21 under the Doctrine of Equivalents, or if it is an inducement
22 case, why it is there.

23 Now, this isn't a case of the first time that we
24 have come in with objections like some of the cases they
25 have cited from the Northern District of California or from

1 Alabama or wherever else. This is one where we have been
2 here a number of times on this issue. And this is all --
3 this is their most recent one, by the way, Judge. This is
4 all we have got on those doctrines. So, that tells me that
5 there isn't anything. There isn't anything that they have
6 at this point in time.

7 Now, they say this ought to be enough for us to
8 keep a place marker and let us reserve our arguments for the
9 future on these two things, and therefore we don't have to
10 give anything right now. And then they talk about it is
11 early in the process and the *Markman* ruling could change and
12 they would have to come back in.

13 It goes to your point, Judge, you raised in your
14 preliminary comments. And that's, is there a good faith
15 basis for them to come forward at some later time and is
16 there good cause for them to come forward and say, yes, we
17 have got a case now for the Doctrine of Equivalents.

18 If there is, in discovery, something comes up that
19 changes what they had at this point in time that is a
20 different set of circumstances than what they knew right now
21 and there is a good cause for them to come in and for the
22 first time to assert Doctrine of Equivalents, they can come
23 back into the Court and say, here is what is taking place.
24 This is why we couldn't do it back in January. This is why
25 we couldn't do it in response to the March 15th Pretrial

1 Order No. 3. This is why we couldn't do it in April, May or
2 June, but now we need to do it. You know, they can convince
3 you at a later time, is there a good cause for them to come
4 back now and assert the Doctrine of Equivalents?

5 One could be that under the *Markman* ruling that we
6 would ultimately get, that there would be some very
7 different direction that the Court might take from what they
8 had in their interpretation of their claims and all of that.
9 And that may well be the good faith basis, or the good cause
10 for them to come in and now to assert that we didn't believe
11 that the claim should be construed this way; but even if you
12 do construe it this way, this is equivalent. It is
13 different than what we have got, but it is equivalent. And
14 then they would come in and list that, you know, at that
15 point in time.

16 Those things may happen. And if so, they can come
17 in and they can show that they have good cause to now
18 resurrect those. But, as of this day, as of this time, they
19 have no basis for the Doctrine of Equivalents or indirect
20 infringement, and we just needed to have it fixed.

21 Now, why do we have it fixed as of this point in
22 time if they are not there? Your Honor said maybe the next
23 step is going to be a Rule 12 or a Rule 56. It will be. We
24 are coming. We are coming with our Rule 56.

25 And at that point in time what we don't want to

1 see is that we haven't got it nailed down. They will say,
2 well, wait a minute, now. We still need more discovery on
3 these issues. They are out there. We want to have a
4 dispositive motion with respect to all of these things. So,
5 if this is their contentions, this is all they have got at
6 this point in time, then we want to fix it so that we can
7 bring those motions and to proceed. That is why it is
8 important.

9 Two other points, Judge. Oh, one of the things
10 that they raised in there, saying, well we need -- this is
11 one of those cases where you can't tell at this point in
12 time because we have no access to their code --

13 THE COURT: Source code.

14 MR. WILLIAMS: -- and to all of those things. And
15 therefore, all we can tell, and they cite this case from
16 Texas that says that prior to discovery, plaintiffs usually
17 only have access to the, quote, manifestation of the
18 defendants' allegedly infringing source code, and not the
19 code, itself; and therefore, it is too early.

20 Here is the problem that we have with respect to
21 the infirmity of the Doctrine of Equivalents and the
22 inducement -- or indirect infringement issues. There isn't
23 even any expression of what that manifestation is here. So,
24 this is not a case where they have said, okay, we have come
25 in and we have shown you, we have given you that analysis so

1 that we could express -- we can talk about how the doctrine
2 applies to these manifestations. We didn't even get that.
3 We didn't even get the manifestations. So, obviously, these
4 are fundamentally lacking in that regard. And they should
5 be stricken until they can come in with good cause to say
6 that some discovery or a *Markman* ruling has given them a
7 basis to come forward and to present them at that point in
8 time.

9 THE COURT: So, when Plaintiffs' counsel -- and I
10 happen to have one quote down here, if I can read my
11 writing, in their brief it says, well in our preliminary
12 contentions we have already identified the contentions
13 regarding which components in Defendants' products equate to
14 the claimed components, as well as circumstantial evidence
15 and results received by Defendants with the functions and
16 results described in the claims.

17 So, what would be your response to -- and
18 that's -- I kind of stumbled reading my scribbled notes, but
19 what -- I suspect you don't agree with the statement.

20 MR. WILLIAMS: And I have given the Court at least
21 two of those critical pieces. And that is, you know, he
22 will come up there and I am sure they will have a
23 demonstration that shows all sorts of details about the
24 tires on the trucks and the cars and the dashboard and
25 speedometer and the windshields and all of those pieces that

1 are common to everything that is out there. But, we don't
2 have that detail with respect to at least two of these
3 critical limitations. And that is the "transmits only when
4 in range" and "the prioritization." There are others, but I
5 highlight those two particular points. Those key pieces, we
6 don't have. I will bet you anything that we don't see
7 anything that comes up on their PowerPoint that we are about
8 to see that deals with the details of those issues and says,
9 here it is, and here is why the Doctrine of Equivalents
10 applies to that. Here is the function, the way and the
11 result that shows they are the same. I will bet coffee that
12 in fact we won't see that kind of detail. So, that is our
13 principal response to that, Judge --

14 THE COURT: All right.

15 MR. WILLIAMS: -- and why we think that it would
16 be inappropriate.

17 Oh, one more thing. The Court just mentioned that
18 these were preliminary infringement charts. That is not
19 what we are dealing with here. There is nothing in Pretrial
20 Order No. 3 --

21 THE COURT: Right, and that is a phrase I use
22 because of that PIC synonym, but -- no, I have everything
23 through the -- everything that has been submitted. And so I
24 have the supplements. I have everything. It is a phrase
25 used in patent cases. So, I think we are all talking about

1 the same thing.

2 MR. WILLIAMS: Correct, Your Honor. And under the
3 Pretrial Order No. 3 and in this District, these are the
4 infringement charts.

5 THE COURT: That is true.

6 MR. WILLIAMS: And this is it, and it is it until
7 there is a good faith -- or there is good cause to show that
8 you can come in and change them. So, this isn't like, you
9 know, just a quick peek and all of that. That is not what
10 this is about. This is their contentions, and that is what
11 they are supposed to be. And Your Honor, I think I have
12 covered our key points that I have got and --

13 THE COURT: There will likely be rebuttal
14 depending upon where they focus.

15 MR. WILLIAMS: Correct. And I think the Plaintiff
16 has a PowerPoint. Do you have any copies of those, paper
17 copies that we could follow along?

18 MR. FARNEY: No, but we can send you copies after
19 the hearing.

20 MR. WILLIAMS: Okay, thank you.

21 THE COURT: And we will have time for rebuttal.

22 MR. WILLIAMS: Then if I might have -- if you
23 would leave it up so that I would be able to go back and
24 refer to it? So I would like to be able to take some notes
25 on it as I would go along, so I would just ask that you

1 leave it up so that I can go back and pick up some points,
2 perhaps, in rebuttal. Thanks, Judge.

3 THE COURT: Whenever you are ready? You probably
4 want that podium up, too. So --

5 MR. FARNEY: What do I do now?

6 THE COURT: There is a setting there. There we
7 go.

8 MR. FARNEY: Your Honor, I am going to begin by
9 making a couple of quick remarks in response, and then
10 proceed to giving you background information and then
11 addressing the Joint Motion more specifically.

12 But, I will have to say I have been listening to
13 Mr. Williams that, quite honestly, I am confused, really.
14 Their motion as it was worded asked for the relief that we
15 be barred from making any further contentions or amending
16 the contentions or supplementing the contentions with
17 respect to the Doctrine of Equivalents and with respect to
18 indirect infringement on the grounds that we hadn't
19 adequately provided contentions up to this point. But, Mr.
20 Williams said on several different occasions that he is not
21 saying that if further discovery or future discovery or if
22 claim construction provides us a good cause basis to be
23 determined at a later time, that we wouldn't be able to
24 amend. Well, I am a little confused, then, because it
25 doesn't seem to me we have any disagreement.

1 We would agree under this Circuit's law and this
2 Court's law that if we want to come back and make some
3 supplementation or amendment to our infringement contentions
4 regarding the Doctrine of Equivalents or indirect
5 infringement, we have to show good cause. And I think this
6 Court's and this Circuit's law is very clear on that. In
7 fact, I think most of the law in the country is pretty clear
8 on that.

9 But, good cause can include a ruling in claim
10 construction that warrants an amendment, or discovery
11 producing a situation that warrants amendment. So, I am not
12 quite sure if we even have a disagreement, here.

13 The inconsistent thing Mr. Williams said is that
14 if you grant their motion at the moment that we are barred
15 from making future supplementation, that the Rule 56 Motion
16 is coming. But I'm not quite sure what that means, because
17 if they were to file a Rule 56 motion, we would say we are
18 entitled to Rule 56(f) discovery, which if it warranted
19 supplementation for good cause, we would amend and where
20 would we be?

21 So, quite honestly, I am up here a little bit
22 following the shadowman, because I'm not sure there is even
23 a disagreement. If they are in agreement that the case can
24 go forward with reasonable discovery on infringement, and if
25 discovery warrants it or claim construction warrants it,

1 then we can amend -- subject to we may disagree on whether
2 there is good cause and you have to decide it, I'm not sure
3 there is even a dispute.

4 So, I will address the motion, but I am just
5 saying having listened to him -- there is a dispute if they
6 say, if they are asking you to issue an order now that we
7 can't amend and they are going to file a Rule 56 Motion as
8 soon as you issue that Order and try to get the issue out of
9 the case before we have had a claim construction and before
10 we have had discovery.

11 There isn't really a dispute if they are saying
12 they should only be allowed to amend related to Doctrine of
13 Equivalents or indirect infringement if good cause is shown
14 as a result of either discovery or claim construction. But,
15 I kind of heard both at the same time --

16 THE COURT: Well, I will set aside, whether or
17 not, regardless of any rulings I make, I will set aside
18 whether a Rule 12 or Rule 56 motion would be coming down the
19 road sooner than later. But, as I read the briefs and the
20 exchanges of counsel before today, what I read was, one, the
21 first thing that I read was it will be in partial response
22 to what you said and something Mr. Williams said was, well,
23 and that probably goes back to something I said when I first
24 opened up this morning by saying, well, it is likely that no
25 matter how I rule on the motions in front of me, that there

1 are certain things that could happen after today, or after
2 the ruling I make that would put the issue, for example, of
3 good cause in front of me, and due diligence, and pre-filing
4 investigation and the like. That happens. And in my
5 experience, it is rare that claim construction causes that
6 as opposed to discovery.

7 So, I read that in the briefs. I actually wasn't
8 surprised by what I heard. But, the other thing that I read
9 in the briefs that I suspect we are going to get into in
10 some of the other specific arguments is that, well, this is
11 so -- and that is where some of the rather strong language
12 was exchanged between -- I am not saying inappropriate
13 language -- one word that Mr. Williams used was ridiculous.

14 There were others that all the parties used, but
15 well, it's so deficient that there is no way they can defend
16 or respond to it until there is something more given to us.
17 And how much time do they need, Judge? We can't possibly
18 respond to some of this. And then, of course, he
19 highlighted two particular issues this morning. So, I heard
20 kind of a two-prong -- now, there are other issues, but I
21 heard different -- that description, in other words, one
22 size doesn't fit all, I heard those two explanations.
23 Because I think that Mr. Williams was saying, we will see
24 what other counsel says as the morning goes on that, well,
25 there could be a set of circumstances no matter how the

1 Court rules that there is either going to be good cause and
2 with a reasonable basis for that, or there may not be. But,
3 that is what I heard this morning.

4 The other issue was, as I just mentioned, well, in
5 some of these areas it is so lacking, we can't respond. And
6 what are we supposed to do? I am not saying that applied to
7 each and every claim. But, so -- and I am sure Mr. Williams
8 will correct both of us when he gets up to saying, well, one
9 or both of you have kind of misconstrued what I said today.

10 MR. FARNEY: Right. As to the alleged
11 deficiencies as to specific elements, I will address that as
12 they come up, in turn, in the various motions.

13 THE COURT: All right.

14 MR. FARNEY: All I would say as a preface is that
15 if the relief they are seeking with respect to this
16 particular motion is simply an order that says Plaintiff
17 can't amend their contentions as to Doctrine of Equivalents
18 or indirect infringement unless they can show good cause at
19 a later time, I think we think that is the law, anyway, and
20 don't really have any objection to it. If they are seeking
21 to bar it ever, then that is where we are objecting.

22 THE COURT: All right.

23 MR. FARNEY: The other preparatory point I would
24 make is, and this is true across all of the briefs, and Mr.
25 Williams alluded to it. All of the Defendants recognize

1 that implicitly one of the deficiencies in this plethora of
2 sanctions that they are all seeking is that they need some
3 order that we violated. And they are all trying to point to
4 the only real order that we have had from you on this so
5 far, which was Order No. 3, that ordered us to go forward
6 complying with the Local Rules.

7 THE COURT: Which, relevant or not today, is kind
8 of the trend in Districts with heavy patent loads and their
9 own Local Rules across the country.

10 And frankly speaking, in response to criticisms by
11 patent lawyers, generally, saying, you know, you can't treat
12 patent cases like all other litigation. You are going to
13 cause needless expense for everybody. So --

14 MR. FARNEY: My observation about this is that
15 Order was not the type of preparatory order that would then
16 justify their motions now for sanctions, because it wasn't
17 an adjudication of any contentions we have made at all.

18 In fact, the only real issue underlying that Order
19 related to an issue that wasn't relevant to any party left
20 in the case. You may recall that we had a question about
21 the trucking companies who were in the case who actually run
22 fleets of trucks should identify to us their unit -- the
23 brand of their units before we did the PICs, and we had a
24 discussion about that. And you ruled, no, just go forward
25 with everybody.

1 But, we never were seeking for the trucking unit
2 manufacturers, which is Xata and FleetMatics who were left
3 in the case, or the car companies who weren't even in the
4 case at that point in time, that we wouldn't go forward.
5 So, the Order simply said no as to everybody, including the
6 trucking companies that have been the subject of discussion,
7 go forward and do your PICs first, which we did.

8 But, they are now trying to point to that Order as
9 if it was an adjudication on some disputes which are not at
10 issue here, such as deficiency of PICs -- or infringement
11 contentions and so forth, and that is not the case. So, the
12 history is that we haven't yet had an adjudication by the
13 Court on the adequacy of any of the infringement
14 contentions, and therefore that undercuts across the board
15 any argument they have made for sanctions. And I just
16 wanted to address up front Mr. Williams', again, illusion to
17 that earlier order as having been some kind of predicate
18 order that they would need. I don't think it is.

19 THE COURT: Well, why don't I just -- and maybe
20 you are all going to say, well, you don't really have to say
21 that, Judge. It is implicit in a number of the submissions,
22 not just for today's hearing, but earlier. Why don't I just
23 make an observation that is in the air? And the real issue,
24 I think, isn't whether anybody is going to disagree with the
25 observation on the Defendants' side, it's well, what is the

1 responsibility of the Court and what is the Plaintiff's
2 response and what is the remedy today? We have already
3 talked about the good cause piece. I mean, let's just come
4 out in the open with it.

5 From day one, almost day one since I have had the
6 case, there have been consistent allegations of, well, there
7 has been really no proper pre-filing investigation as the
8 Rules and the law require. And this isn't being handled
9 like any other patent case. They are looking for -- they
10 took the case on the assignment for a pay day and brought in
11 all of these Defendants. I mean, there has been those
12 things in the air from day one. And so today we are here,
13 because obviously the way you have each, in some detail, and
14 with some very straightforward language explained your
15 positions, obviously one of you has to be partially, if not
16 totally, incorrect. Because this isn't kind of a --
17 separate from the procedural issue of the good cause and
18 what the proper remedies are, here, I mean, I think that is
19 clearly in the air, and why you have these early sanction
20 motions.

21 MR. FARNEY: The history of it, I think, is -- and
22 I don't misunderstand it, with respect to the trucking
23 companies, when we said we have identified you as an
24 infringer because we have identified the antennas, and
25 things flow from that, we think that was legitimate. And

1 had we got to briefing that, we think we would have
2 prevailed on that. But, I do understand, at least, why that
3 could have led to an issue. But, that doesn't apply to the
4 parties we have now. From the start with respect to the
5 parties that are sitting here now, the trucking
6 manufacturers and the car companies, we have always been
7 clear as to what product they infringed and why they
8 infringed it.

9 The contentions that we provided in March, they
10 thought were too general. They told you that. They sent us
11 letters asking for supplementation. We then supplemented --
12 we supplemented in great detail to try to moot all of this
13 and just get past it and get on with the case, and then
14 literally added voluminous further support for what we were
15 contending. And within three business hours, we served them
16 on a Monday evening. Within three business hours we had
17 letters from all of them saying this is plainly inadequate.
18 We maintain all of our positions.

19 So, we then tried to respond to that with a few of
20 them and even further supplement, just to get them mooted.
21 So, the reason this got started as kind of an inadequate
22 investigation issue, at least understandably, or at least I
23 can see the point for the trucking companies because they
24 were in a little unusual situation, doesn't apply to these
25 remaining Defendants. And really, they have gotten caught

1 up in it and they are continuing to --

2 THE COURT: Well, and that is part of the issue
3 you have each put in front of me today because that is where
4 you kind of part company.

5 MR. FARNEY: Right. So, I think it is a good time
6 for me to turn to the background of the patent, because I
7 think that we have never had a chance to really present to
8 you what the patent is about. And I know you have read it
9 and you have read some descriptions of it. Well, once you
10 understand what the technology is and what the claims
11 require, you will see why both our investigation and our
12 contentions are perfectly adequate to put them on notice.
13 And one of the things we will get to in a minute is what is
14 the purpose of these infringement contentions? And it is to
15 put them on notice to streamline discovery.

16 I mean, I have been a patent lawyer for longer
17 than I care to admit anymore, and I have represented
18 Hewlett-Packard and Apple and companies in very big cases.
19 And there was a time in Northern California where you could
20 see a very clear reason for early infringement contentions.

21 HP would have a case where somebody would sue it
22 for a feature on a transistor. And they would say your
23 model something computer infringes. Well, there might be a
24 hundred chips in that computer and you wouldn't even know
25 which chip had the feature they were talking about.

1 Before infringement contentions, the process just
2 went to automatic discovery. And the discovery was sort of
3 boundless. And HP would be in a position of trying to
4 figure out, you know, which chips had it, which chips
5 didn't. And that was the genesis of, in Northern California
6 where that happened more often in high-tech cases of saying,
7 well, wait a minute. We ought to at least have the
8 plaintiffs identify what they are talking about so it brings
9 some focus to the discovery.

10 And that purpose of infringement contentions,
11 which you will see in many of the cases we have cited, which
12 is to streamline discovery, reduce the number of early
13 interrogatories, provide some notice to Defendants about
14 what the case is about has a perfectly legitimate purpose
15 and it is clearly satisfied here. There is no Defendant in
16 this case that doesn't know what product is accused, doesn't
17 know exactly why we accuse it. They are now down to the
18 level of picking at nits on a couple of features whether we
19 have provided enough factual support for the contention.
20 But, in terms of knowing what it is we contend and knowing
21 why we contend it infringes, they all know. So, the
22 original purpose of the PICs is clearly satisfied here.

23 And the reason we could do that is the patent is
24 pretty straightforward. Look at the patent. It is entitled
25 Vehicle Tracking and Security System, and it was invented by

1 John Mansell and William Riley. And it is a fundamental
2 patent. As we go forward in this case, you will hear that
3 this is one of the early seminal patents on modern
4 telematics.

5 It has been cited over 400 and I think it's
6 actually an accurate count, more than 500 times in other
7 patents. And that is a key marker for how important a
8 patent is, how much it gets cited later in the industry.

9 Mansell and his father had several successful
10 businesses doing different vehicle accessories and things
11 like that in Dallas, particularly for the trucking industry.
12 And in the early 1990's, as we go forward in the case, you
13 will see they sought to improve upon early vehicle tracking
14 systems by using cellular systems which were starting to
15 become more prevalent. You remember the first cell phones
16 the size of a brick, and that kind of thing just starting to
17 be out there, and GPS which had just become publicly
18 available. To test the invention, as you will hear later in
19 the case, it is a very entertaining story how they would
20 send one van out with all of this equipment, and then send a
21 van out an hour later to see if they could find it. And
22 that is how they would test to see if it was sending signals
23 that were accurate.

24 But they did a real inventive process that you
25 will hear about in the case. It became the basis of a very

1 successful business for them, which was later bought by a
2 company called Raytheon, a very well-known defense
3 contractor.

4 Later Raytheon was going to license the patent and
5 contact over 20 potential licensees. And those licensees
6 put it in a re-examination. And the patent was re-examined,
7 over 140 references, including every reference that any
8 Defendant has cited to us in this case. And no new art has
9 yet been cited to us in this case. So, the patent has been,
10 you know, both issued and re-examined over a lot of art and
11 found to be valid.

12 Further, it has been litigated. We have a patent
13 here that has been litigated through trial and held
14 invalid -- or not invalid if I was going to use the precise
15 terminology. So, this is a patent that has some strength
16 and some merit and was an industry fundamental patent.

17 Now, the two claims we have asserted are two that
18 came out of re-examination, and were allowed by the Patent
19 Office over those many references. Each one, if you have
20 looked at it, seems long, but it is largely because the
21 drafter never used one word where he could have used 20, and
22 he would repeat those 20 sort of over and over and over.
23 So, if he said you have an input device for monitoring --
24 for providing info about an event or condition, he would
25 repeat information about an event or condition every time he

1 talked about that information. And it made it wordy to
2 read.

3 So, Claim 7 looks like this. And I am not going
4 to read this, but it looks like that. But, as you walk
5 through each of these elements, which I am about to do in
6 fairly quick order, we are going to create on the right
7 essentially a checklist of what the patent requires. And
8 what you will see on the left is each element in full, and
9 the right you will see where I have just simply simplified
10 the language without taking out any content. So, anytime it
11 refers to event or condition information, I have reduced
12 that to E/C info. So, I haven't changed the substance of
13 it, but I made it easier to read.

14 So, you have first an input unit. That input unit
15 has to respond to an event or condition associated with the
16 vehicle and provide information describing the event or
17 condition.

18 So, you will see over here I have summarized that
19 as an input unit responsive to an event or condition, which
20 I abbreviate E/C, and providing information describing the
21 E/C.

22 The next, if you look to the right, is a location
23 unit including a satellite receiver responsive to GPS
24 information. The satellite receiver generating information
25 inherently describing vehicle location correlated to the

1 received time. And there is later reference, then, to
2 vehicle location information, which I will summarize as VL
3 info.

4 Now, in this element there is an argument by
5 Hyundai that this element does not relate to GPS
6 information. There is going to be a claim construction
7 dispute about that, but at this stage we don't need to
8 address the claim construction, but that is what that refers
9 to.

10 Then you have a cellular telephone transmitter for
11 transmitting only when it is in range of the network. Then
12 you have a means for determining whether or not it is in
13 range.

14 Now you have a mobile unit controller which is
15 responsive to the input unit and the location unit. And it
16 includes a storage device for storing that E/C info and that
17 VL info, the event and condition and the vehicle location
18 info. You have a processor which interacts with the
19 transmitter and controls the storage device in response to
20 whether it is in range of the network, to perform the
21 functions of: First, storing in the storage device the E/C
22 info and the VL info when the transmitter is not in range,
23 and retrieve from the storage device the E/C info and the VL
24 info when the transmitter is in range.

25 So, the processor -- the information is being

1 generated by the input unit about an event or condition. It
2 could be your engine is overheating or whatever it may be,
3 your airbag is deployed.

4 There is GPS information coming in; that is going
5 to the processor. But if the transmitter is in range, it is
6 sending it on. If it is out of range, then it is storing it
7 and then retrieving it to be sent when it gets back in
8 range.

9 And then the last element is the mobile unit
10 controller, which is the processor and storage unit
11 together, is responsive to retrieving from the storage
12 device the information, which is essentially the same as is
13 responsive to it being back in range to send that E/C and VL
14 info to a control center.

15 So, if we take all of that, we can kind of see
16 what we are talking about. We have an input unit, which
17 could be measuring any number of conditions about the
18 vehicle, the location unit which is hearing the GPS signal,
19 the cellular telephone transmitter on the bottom right with
20 a little in range determination mechanism in it, a means for
21 determining whether in range. And then we have a mobile
22 unit controller comprising of storage and a processor. And
23 then there is the interaction that is required is that it
24 transmits when in range, and not when not in range. And the
25 processor stores the information in the storage unit, the

1 storage device when it is not in range, and retrieves it
2 when it is in range for sending. And that is it. That is
3 the invention.

4 It is pretty basic. It is pretty fundamental, but
5 that is common for fundamental inventions. And that is why
6 it is cited over 500 times and it is a seminal patent in the
7 industry and forms the basis of a very successful business.

8 So, we have talked about the responding and
9 retrieving point. So, this is sort of a checklist right
10 here. To find out if somebody infringes Claim 7, you need
11 to know if they have an input unit responsive to and
12 providing information about an event or condition.

13 Do they have a location unit receiving GPS signals
14 and generating vehicle location info? Do they have a
15 transmitter that transmits only when in range? A means for
16 determining whether it is in range, a mobile unit controller
17 which has a storage device and a processor, which stores
18 when it is not in range, and retrieves when it is in range
19 and then sends it to the center. That is it.

20 So, when you read about one of these telematics
21 units, say a Xata unit, okay? The Xata unit will be
22 advertised as a unit for monitoring your vehicle condition,
23 such as your engine temperature, or an accident, or any
24 other braking. Hard brakings is something that they check
25 in the trucking industry. So that unit does monitor those

1 signals. Plainly it will have an input unit which is
2 responsive to and providing information about an event or
3 condition.

4 It will talk about it tracks GPS, so it has a
5 location unit that will be related to vehicle location info.
6 It talks about working on a cellular network. Well, it
7 can't work on a cellular network unless it has a transmitter
8 for the cellular network.

9 All of the parties in this case use standard
10 commercial cellular networks. All current standards for
11 cellular networks require the transmitter to listen for a
12 carrier signal to determine whether it is in range. When
13 you have your phone and you are looking at for the bars, if
14 you have no bars, that means it is not hearing a carrier
15 signal and it is not transmitting. Only when it gets bars
16 will it transmit.

17 So, if it has a cellular transmitter and it works
18 in a modern current network, it will have a means for
19 determining whether it is in range, which is listening for a
20 carrier signal, which happens to be the very way the patent
21 describes its means for determining whether something was in
22 range, to listen for a carrier signal.

23 Then if it has got that and it is going to send
24 this information, it has to store the information somewhere,
25 so it will have a storage device. And if you are going to

1 put in all of this, you have to have a processor. No
2 electronic device could coordinate the signals between all
3 of these things without a processor.

4 So, you have got the storage device and a
5 processor and then the mobile unit controller is essentially
6 that it will transmit when it is in range. So, then they
7 are left only with the question of: Does it store when it
8 is not in range, and send when it is back in range? And
9 there, depending on the defendant, you have several
10 indications that that is what they would do.

11 First of all, common sense. If they are sending
12 signals that your engine is overheating, or you need your
13 oil changed, or the guy has been braking too hard, or
14 whatever, or they are out of range, it makes sense that if
15 they can't get a signal, that as soon as they get the
16 signal, they will send that information on.

17 If they don't, the Defendants' position has to be
18 that, well, if they can't send it, they just throw it away.
19 None of them said that, and none of them are going to say
20 that, because it wouldn't make sense for them to do that.
21 The whole purpose of the system is to send that information
22 back to a common center. So, if it is not throwing it away,
23 when you go under a bridge and all of a sudden it loses its
24 signal, if it is not throwing it away, it has to store it
25 somewhere. And when it is in range, retrieve it and send

1 it.

2 So, first of all, you have common sense. Second
3 of all, as we go through each of these different parties,
4 you will see there is an indication, express indications
5 that they do in fact store it and resend it when it is back
6 in range. But, you can also just tell from your common
7 sense they wouldn't have a system like this if they didn't
8 do that.

9 THE COURT: Have you examined -- how many of these
10 accused devices have you examined?

11 MR. FARNEY: Well, all of them. Well, in the car
12 companies' case, we still have all of the materials and the
13 manuals; but, we also have the physical units. They are
14 right there, in case you want to see them.

15 In the trucking companies' case, we haven't been
16 able to obtain a physical unit, but we have obtained their
17 manuals, their tech sheets and a lot of other information
18 about them, enough to show that they have an input unit, a
19 location unit and all of these other features I have talked
20 about and that they work in that way.

21 So, for example, as we will see when we get to
22 Xata's motion, it expressly says for one of their products,
23 for example, they refer to this as an electronic on-board
24 recorder; that is a term in the industry. An ELBR, you will
25 see that a lot. Our ELBR will store data for up to 30 days

1 if you are out of cell range. And then later they tell you
2 it provides up to the date information about what the driver
3 is doing.

4 Now, plainly, what they are talking about -- they
5 also say they are compliant with Federal Regs. There is a
6 Federal Reg called FMCSA. And plainly what they are talking
7 about there is if the driver goes through, say, southern
8 Utah, and all of a sudden is out of range for 100 miles, it
9 is clocking that data into storage and when it gets in range
10 it is going to send all that back to the center.

11 Claim 12, I won't go through the same level of
12 detail. I will just basically note it is really different.
13 It relates, obviously, to the same general invention, but it
14 has slightly different requirements. It talks about a
15 vehicle condition sensor for generating signals varying with
16 the operation of the vehicle, an operator-activated sensor
17 for generating signals identifying an operator input
18 message, and a satellite receiver, a transmitter and a
19 mobile unit controller, which most importantly transmits
20 signals from the cellular transmitter reported to the
21 priority designation. Excuse me, the priority designation
22 between the operator-generated signals and the vehicle
23 condition sensor type signals.

24 An example that we have used in all of these, for
25 example, where we reasonably believe and contend that they

1 have a priority designation is emergency signals. And most,
2 if not all, I have to double-check myself, but most, if not
3 all of these systems have what is called a panic button or
4 SOS button. And we contend, and believe it is reasonable to
5 contend, that when they hit that panic button, the system is
6 not going to keep sending out, you need to get your oil
7 changed next week. It is going to send out: Help, I am
8 going over the cliff first. It is going to be an override.

9 And we have the declaration of an expert in the
10 automotive industry who supports that and says that is also
11 what happens. Logically, that is what would happen. And
12 then there are some indications in some of the materials
13 that is what happens. But plainly, that is one where we can
14 have indications -- one of the cases referred to is
15 manifestations -- that will happen, circumstantial evidence
16 is likely to happen, but the source code will actually tell
17 us whether there is an override there or not. But, that is
18 only for Claim 12, that is not for Claim 7.

19 THE COURT: All right.

20 MR. FARNEY: These are the features that I was
21 talking with that do relate to source code. To transmit
22 only when it is in range, as we have said, that is part of
23 the standard for all of the cellular networks. But, if you
24 want to actually prove it by direct evidence, you would get
25 the source code where there would be somewhere in the source

1 code that says, don't transmit if you don't get the -- if
2 you don't hear the carrier wave.

3 Storing or retrieving when in or out of range, we
4 can give all of the circumstantial evidence or
5 manifestations that it is happening. It's common sense that
6 that has all happened. But, to actually prove it to a
7 certainty, the source code will tell you that that is what
8 is happening.

9 Transmitting and the priority, I just addressed,
10 same point. And I am going to skip past this because I
11 think we will come to it later. Plainly, the main -- or I
12 am going to briefly address it. The main issue here is what
13 do the contentions have to do? And the contentions have to
14 put them on notice of our infringement case. We have
15 identified specifically the product. We have pointed to
16 specifically where in the product it does each of those, it
17 has the input unit, the location unit, et cetera, et cetera,
18 et cetera. And we have told them why we believe that it
19 will say when it is out of range, and send when it is back
20 in range, and so forth. And we have done that.

21 At this point in the case, they don't have any
22 confusion about what we are talking about. If they have a
23 disagreement about what it does, the issue is joined. In
24 other words, the parties do know what the issues are. They
25 know exactly what discovery we would seek. Whatever that

1 discovery is going to be, it will be. But, the issues are
2 joined, which is the primary purpose of the infringement
3 contentions, which is to streamline discovery.

4 THE COURT: What about the reference in the
5 illustration that Mr. Williams had to, well let's show you,
6 Judge, the footnotes and how they explained the Doctrine of
7 Equivalents and the indirect infringement?

8 MR. FARNEY: I'm getting to that.

9 THE COURT: Headed right there?

10 MR. FARNEY: I am getting to that right now. In
11 other words, what I have been talking about in terms of our
12 contentions is we've alleged literal infringement as to all
13 of these elements. They are literally there. Okay?

14 And to now turn to the point of the Joint Motion
15 with that background. On the Doctrine of Equivalents, and
16 let me just click down through a few of these. Let me get
17 right to the point.

18 The footnote that they talked about is on the
19 left; that is what we contend about Doctrine of Equivalents.
20 On the right is one that has been approved in a case
21 involving the ITC which has a similar early infringement
22 contentions provision.

23 The issue here, and it is an issue only for you,
24 Judge, actually. If a party in doing its pre-suit
25 investigation and in filing its initial infringement

1 contentions primarily views it as a literal infringement
2 case, what then happens to the Doctrine of Equivalents case?
3 What the Defendants seem to want to say is if you only
4 allege literal infringement, then you can never argue
5 Doctrine of Equivalents. Okay? And I don't think that can
6 be the law. You obviously have to decide, but I don't think
7 that can be the law.

8 If your initial case is a Doctrine of Equivalents
9 case, then plainly you need to explain for that element or
10 elements that you say are not literally met, why the
11 function, way, result test is, you know, met, and all of the
12 other detail that goes with it. But, if you are a plaintiff
13 that has a literal infringement case, initially, then what
14 happens to the Doctrine of Equivalents?

15 Some courts, a few courts that they cite have
16 said, you can't just say I am going to reserve to argue
17 Doctrine of Equivalents later, you have got to say
18 something. And this Court found that it was sufficient to
19 say, to say what your contentions are as to literal
20 infringement. And we say, based on our investigation to
21 this point in time, this is the bottom bold part, any
22 differences are insubstantial and therefore it would at
23 least, if it is not literal, it would at least perform the
24 substantial function, way, and result. And that is our
25 allegation here, word for word, out of something that has

1 been approved.

2 Our position is, each of these elements are
3 literally met if there is some difference, and it is so
4 insubstantial that it would still mean they function
5 substantially the same, function, way, result.

6 But, I actually think the better result is the one
7 that Xata's counsel argued for in a different case. In that
8 case, the *Auburn* case, what happened there was they
9 represented a party, they represented *Auburn against IBM*.
10 Now that was a little different because the early
11 contentions didn't require contentions about Doctrine of
12 Equivalents -- the earlier Order did not require, initially,
13 alleging Doctrine of Equivalents. But, it required it at
14 the time of what was called the final contentions, which
15 happened about 10 months into discovery.

16 At that point in time, as you will see, their
17 allegation was simply, we have literal infringement and we
18 reserve the right to do Doctrine of Equivalents. And IBM
19 said, well, you can't do that. You have to give me your
20 allegation. How can I defend myself, all of the stuff you
21 have been hearing here? And the Court said, it was enough.
22 Xata's counsel in that case argued it was enough, and they
23 agreed with them.

24 Again, although it is implicit in the case, I
25 think the same caveat was there. You have done enough to

1 put them on notice that you are arguing literal
2 infringement, but if something happens that makes Doctrine
3 of Equivalents more appropriate, you put them on notice you
4 do intend to argue that, you will have to, you know, show
5 good cause for why you can amend, but you put them on notice
6 that you may be doing that. And that is all you have to do
7 at this point because you are alleging, primarily, a literal
8 infringement case.

9 Here is our contention on the left again. We said
10 specifically, any differences between the product and any
11 claim element, and thus, any difference the defendant may
12 identify must be clearly insubstantial, because we contend
13 they are essentially the same. And it must perform the same
14 function, way, result.

15 The contention approved in the *Auburn* case simply
16 said, *Auburn* reserves the right to argue the Doctrine of
17 Equivalents. And the Court said that was enough.

18 In a second, later supplementation, they argued --
19 they phrased it a little bit differently, but basically did
20 the same thing, reserved the right and the Court said that
21 was enough.

22 Now, again, I think, they have to show good cause
23 in order to make the amendment, but it was enough maybe to
24 reserve the right. And we have done more than that. We
25 have given substance as to each element, sufficient for

1 literal infringement. In one we said, if there is any
2 difference here, it is so insubstantial that it would still
3 be equivalents. And that is enough to put them on notice
4 that we are arguing that.

5 In their responsive contentions, should we ever
6 get to the day when they finally do responsive contentions,
7 they will either say: We agree we have this element; we
8 don't have this element at all; we don't have the input
9 element at all, or whatever; or we have a location unit, but
10 it is different. And it is so different, it is not only not
11 literal, it is not equivalent.

12 They clearly notice that if they allege something
13 other than it is just not there, that it is different, that
14 we are going to allege that the difference is so
15 insubstantial that they can tell us why it is different.
16 So, they know what our contentions are on this.

17 We have done what we can do at this point in time
18 because we primarily have a literal infringement case. We
19 have done what the *Apple* case said was sufficient. And we
20 have done more than the *Auburn* case said was sufficient.
21 And that would be our position on the Doctrine of
22 Equivalents.

23 THE COURT: All right.

24 MR. FARNEY: Finally on the indirect infringement
25 case, we would make two points. The Local Rule, unlike the

1 California Rule, doesn't actually require allegations about
2 indirect infringement. So, certainly, you could ask us to
3 amend or modify or do it now, but I don't see how we could
4 be sanctioned for not doing something that wasn't required
5 in the Rule, or Court Order No. 3, which basically used the
6 language of the Local Rule 4.

7 Second, what we did do, that second footnote that
8 you talked about was -- let's see. I thought we had it
9 compared. Didn't we have this compared? Didn't we have a
10 slide that had it compared with the Local Rule, our
11 contention? I thought we had a slide comparing them. Let
12 me back up. Here is what I was looking for, sorry.

13 In the footnote that they referred to on indirect
14 infringement, what we said was in the case of Hyundai, which
15 was the one they used, we said, further, we contend that
16 Hyundai contributes to and or induces the infringement of
17 its customers by selling the cars that would have the units
18 in them and providing the manuals and instruction on how to
19 use it.

20 So, they would provide a substantial part of the
21 infringing apparatus, essentially the entire part, the
22 car -- they induce the customers to use the service by both
23 instructing them how to do it and trying to sell the
24 feature, and a customer that will be the direct infringer by
25 using the whole feature.

1 So, we say that in the California case of *DCG*
2 *versus Checkpoint*, the contentions at issue identified a
3 product line and provided them with notice that the
4 customers were the indirect infringers. So, California,
5 which does have a requirement for indirect infringement said
6 at the initial infringement contention stage, it is
7 sufficient to identify the product and identify whom the
8 direct infringer is. For indirect infringement, as you
9 know, if there is going to be indirect infringement, you
10 have to have a direct infringer somewhere.

11 In our case we identified their product and we
12 identified the direct infringer, which was the customers.
13 And that is all we are required to do. So, that is our
14 two points.

15 On the D of E, we have done more than both the
16 *Apple* case and the *Auburn* case required. And on the
17 indirect infringement, the Local Rule didn't require it, but
18 we have actually done enough what would satisfy the
19 California Rule.

20 THE COURT: All right.

21 MR. FARNEY: That is our position. Do you want me
22 to leave this up?

23 MR. WILLIAMS: Please.

24 THE COURT: What we will do, Mr. Williams, we will
25 take your rebuttal, then we will take a recess. There's

1 probably one or more lawyers who probably would like to
2 respond to a couple of these things, but I assume they can
3 address those during the course of their own motions.

4 MR. FARNEY: Some of those points that I got into
5 will certainly come up again.

6 (Discussion off the record.)

7 THE COURT: I would like to see how we -- you
8 know, usually -- I'd like to see how Mr. Williams handles
9 that. With some notable exceptions, usually the older we
10 all are, the less capable we are of running that and we will
11 look to a newer person at counsel table.

12 MR. FARNEY: I think that I was the only
13 exception, by the way.

14 MR. WILLIAMS: I was specially trained in college
15 for this, Judge, back when the machines were much bigger;
16 but, I could do it.

17 THE COURT: Yeah, they sure were.

18 MR. WILLIAMS: 22, I think is what it was -- yeah,
19 20.

20 So, Your Honor, let me first start with the A or B
21 proposition that PJC has stated. They said if our position
22 is A, then we have no disagreement. And we are all fine.
23 Or if our position is B, then we do have a beef, and here is
24 how they defined A and B.

25 A they said was that if in fact the Doctrine of

1 Equivalents and indirect infringement will remain in the
2 case and they only can amend their contentions, their
3 infringement contentions -- their claim charts, excuse me,
4 upon a showing of good cause, then they are okay with that.
5 Or, they said the latter point is is that the Doctrine of
6 Equivalents and indirect infringement are out of this case
7 forever, period, then they are not okay with that. Well,
8 they didn't state our position. Our position isn't A. It
9 isn't B. It is right in the middle of that.

10 Our position is that they are and in fact should
11 be out of this case, out of this case, but only let back in
12 if there is good cause to bring them back in. So, it is
13 different than how it was expressed. We are not saying now
14 that they are out of the case forever and no good cause
15 could ever permit them to come back in. No. But, we are
16 also not saying this. And that is that they are in the
17 case, they can do discovery, why don't you infringe under
18 the Doctrine of Equivalents or what is your response to the
19 inducement issue and all of that? That is putting the cart
20 before the horse. These should be out of the case, out of
21 the case. And then, only put back in upon a showing of good
22 cause why they weren't in here in the first instance.

23 Now, why is that the case? Let's look at this
24 claim. Now, he kind of goes over this except he says, that
25 well, cellular telephone transmitting for transmitting only.

1 Now, they highlight the cellular transmitter, okay? They
2 highlight that piece in there. But, the key piece here is,
3 I think, in this case is that, it does that "only," the word
4 only is crucial. And what he says is that, well, gosh, that
5 is the way all cell phones work. They only will transmit
6 when you have got a number of bars showing up on your meter.

7 Well, if that is the case -- and might I use one
8 of these props, here, or a couple of them? This here is a
9 BMW Assist, for example, and a Toyota Safety Connect.

10 If, in fact, these things do transmit, do transmit
11 at times when they are not in range, then apparently they
12 would agree with this that there is no infringement. There
13 could be no infringement of these claims. And number one,
14 is what he is telling us now is that they have opened these
15 things up and that they have determined as a matter of fact
16 that they have facts today that says that, we know, we have
17 looked at this stuff. And we know that these work like
18 other cell phones, or like cell phones we believe work; and
19 that is they will transmit only when they are in range. We
20 don't have that information from them. And if they say that
21 that is the case with all cellular technology and this is
22 the only possible way that can be, I think we will see that
23 that is different.

24 Now, the next piece is, and that is on the
25 prioritization Claim 12 -- here we go. The priority

1 designation, completely silent. They are completely silent
2 about what these boxes do with respect to how that priority
3 designation takes place, if it takes place, or whatever.
4 And certainly silent, certainly silent with respect to the
5 Doctrine of Equivalents, or indirect infringement.

6 Now, Your Honor, I think that we will have
7 specifics that will come up from each of the individuals.
8 They might talk about some of the specifics of their units
9 and how they work and all of that. But, I do want to say
10 this, when we go back to the slide that says that this was
11 one of the greatest things that was ever done since sliced
12 bread in the industry, and that Mr. Mansell was a great
13 developer, and in the early 1990's they came up with this
14 telematic system that was really striking.

15 Well, the story they tell about how a new business
16 was formed and it was very successful and all of that is an
17 accurate story. But they are telling the story of Qualcomm
18 and not PJC.

19 What we will see in this case, the evidence is
20 going to show, is that not in the 1990's, but in the 1980's
21 Qualcomm was doing all of the things they are talking about,
22 all of the things that they are talking about and all of the
23 things that are in this claim, the way that they are
24 interpreting this claim, long before, long before Mr.
25 Mansell was driving down the highway with his wife and heard

1 this idea about GPS on the radio, and thought about that,
2 and how to do it.

3 These guys didn't invent Telematics and how all of
4 this stuff works. So, the evidence is going to be very
5 different from that. In any event, not the point right now.
6 Our point is that the Doctrine of Equivalents and indirect
7 infringement should be out of the case, out of the case,
8 unless they can show good cause later on why they couldn't
9 have made these claims and couldn't have given us the detail
10 that we wanted as of this point in time.

11 Now, I think, and Your Honor, one of the other
12 reasons why -- and thank you -- that this is important to us
13 is that we're required to respond in detail, in detail in
14 our -- when we come next with what it is -- why we don't
15 infringe under the Doctrine of Equivalents, and so on and so
16 forth. We can't do that in response to what they have given
17 us here in response to these two sentences, I guess, it's
18 this, these two sentences, except to say, no, it doesn't.
19 And that is not in compliance. So, there is certainly not
20 enough for us to go on on the basis of giving the detail why
21 we think that they don't function the same way to achieve
22 the same result and all of that. So, with that, I think,
23 Your Honor --

24 THE COURT: Let me ask you, a question I am
25 reluctant to ask it, because I don't want to create an issue

1 where there isn't one. Sometimes what comes up in these
2 cases, and I didn't see it in the briefing from either side
3 of the aisle, certainly not from the defense side of the
4 aisle. And maybe you are all going to agree, not just the
5 Defendants but the Plaintiff, well that really isn't the
6 issue today. Sometimes people say, well, you need to step
7 in in some way, Judge, because this is going to dramatically
8 affect the scope of discovery, whether you use the common
9 phrases of fishing expeditions and the costs associated with
10 it. But, I don't think anyone suggested that, and maybe you
11 haven't because under your motion you are suggesting that it
12 should be out of the case. And until such time as they have
13 good cause, I guess you are implying that, well, if the
14 Plaintiff sought some discovery, and one or more of you were
15 saying, well, they are doing now what they should have done
16 before, I would suspect that one or more of you would come
17 knocking at the courthouse doors.

18 But, I don't want to again create an issue where
19 there isn't one. But, is that an issue? And co-counsel
20 just -- he didn't leap out of his chair, but I can't get up
21 that quick, I can tell you that.

22 MR. FLOREY: Good morning, Your Honor.

23 THE COURT: Good morning.

24 MR. FLOREY: Michael Florey for Xata. Yes, I
25 believe in our specific motion as to one of the two claims,

1 we will be addressing that exact issue, yes.

2 THE COURT: Okay. And like I said, I am not
3 trying to create other issues, but sometimes that is an
4 issue raised from one side of the aisle or the other.

5 MR. WILLIAMS: And I think that is implicit with
6 respect to the other Defendants, as well, Your Honor. We
7 wanted out of the case so that we are not responding to
8 discovery, we are not responding to those things, unless
9 they do come up with something incidentally or through a
10 *Markman* ruling or something that would open the door back up
11 to bringing them back in and there is good cause for that
12 basis. We want to save the Court and the parties time and
13 money by eliminating those doctrines, those theories from
14 this case.

15 THE COURT: All right. I will give you the final
16 word before we take a recess and move on to the next set of
17 motions.

18 MR. FARNEY: First, I have already addressed why I
19 believe our contentions on Doctrine of Equivalents --

20 THE COURT: Right.

21 MR. FARNEY: -- are adequate, and on indirect
22 infringement are adequate. And I will let that sit.

23 I don't understand what it means for them to be
24 out for now, but they can come back in. But, I think it
25 really goes to your question, is this going to affect the

1 scope of discovery? And I believe the discovery will
2 largely be the same either way. It is going to go to the
3 devices and how they operate and so forth. So, I don't
4 think this is a matter of sort of greatly, you know,
5 reducing from a wide area of discovery down to a narrow
6 area. This is not that kind of issue, I don't believe.

7 Mr. Williams pointed to -- when I talked about the
8 cellular transmitter transmitting only when it is in range
9 and acted like I didn't highlight that on purpose, that
10 slide was highlighting the physical components, as well as
11 highlighted to illustrate what are the physical components
12 of the units, so that is why "only" wasn't highlighted.

13 And then he said, you remember him holding these
14 up saying, where are the facts that show this doesn't
15 transmit, or it only transmits only when it is in range?
16 Well, that goes to the very heart of what the problem here
17 is. They are treating these infringement contentions as if
18 we are at the summary stages of a case, or a trial.

19 We have given them the contention that it does
20 only do that. We have said in the case of Xata, for
21 example, it complies and uses the GSM cellular network
22 standard. We have included multiple pages in the contention
23 showing how the GSM standard works and that the transmitter
24 will only transmit when it is in range.

25 If they have got an example where there is a stray

1 transmission when it is not in range or something that they
2 are thinking about, certainly that may come up in discovery
3 and certainly that may be an issue for a *Markman* hearing or
4 summary judgment, what have you. But we have at this stage
5 contended it only does it, so they know the contention, and
6 we gave them a reason for it, which is that you are
7 compliant with the standard that requires it's only
8 transmitting in range.

9 So, when he says, where are their facts, where are
10 their facts? That is sufficient facts from the infringement
11 contention stage. I think maybe that is the heart of what
12 all of these motions are going to be about.

13 He mentioned about Qualcomm here having
14 essentially have done all of this before. And the only
15 comment I will make is Qualcomm was a defendant in this case
16 and it will come out in discovery. It settled for a
17 substantial seven figure sum. If they had done it first,
18 Qualcomm represented by Cravath, Swaine & Moore, I can
19 assure you would not have done that. And you will see that
20 the representations about Qualcomm doing it first are simply
21 not accurate. I think that addresses about all there is.

22 THE COURT: All right.

23 MR. WILLIAMS: Could I have one minute, Your
24 Honor?

25 THE COURT: Yes, you may. Sure.

1 MR. WILLIAMS: I will speak to that last point.
2 Qualcomm was also represented by me. I filed the Complaint
3 on their behalf. I also represent them in another MDL case
4 that is active in the Southern District of Ohio.

5 And I know why they settled, and I know what was
6 in their mind. And I know what the evidence is. And that
7 evidence is going to come out in this case. Sometimes
8 people settle for reasons other than the fact that there is
9 not a good case against them. I think the Court is aware of
10 that.

11 With respect to the issue now we've heard for the
12 first time, because it certainly wasn't in the contentions
13 that all -- and it is an important thing, because it should
14 be in writing. And I would like to see it in writing with
15 respect to that contention, infringement contention.

16 If it is their position that all cellular
17 structures transmit only when they are in range, that should
18 be in writing, should have been in writing and should have
19 been in here. Or, if they don't have that or they are not
20 sure about that, then they would say it doesn't matter,
21 because under the Doctrine of Equivalents, whether it does
22 or it doesn't is the same thing. And then they could
23 basically try to write the word "only" out of the claims.

24 That detail, that detail should have been in
25 there. For him to stand up and just say it in argument for

1 the first time that that is their position is inadequate.

2 So, on that point just standing up here and saying that we
3 think that is how it works, is not responsive.

4 Still silent, still silent with respect to the --
5 do these or do they not have that priority designation? And
6 how does that work? And how does that relate to the
7 Doctrine of Equivalents? Or certainly, to inducement type
8 of arguments? So, on those two points, and those two
9 specific points, we have shown that in fact they haven't
10 performed it. We don't want them in the case at all,
11 period, unless they can come up with good cause later on and
12 say, we couldn't possibly have done this until whatever it
13 is was discovered, the *Markman* Ruling, or whatever else.
14 So, that is our position, Judge.

15 MR. FARNEY: Two quick comments.

16 THE COURT: All right.

17 MR. FARNEY: The reference, or the contention
18 about that it only transmits in range is in our contentions.
19 I may have overstated when I was standing up here and said
20 all cellular networks work that way. What I should have
21 said is the cellular networks that each of the Defendants
22 use, or reference using, in their respective contentions we
23 have said they only transmit when in range.

24 There may be some other network out there that
25 does, and I'm not sure. But, the ones they use and have

1 referenced using, we do contend that they only are in there,
2 and that is in writing in the contentions.

3 Second, I didn't mean to overlook the priority
4 designation. I referenced that we do believe we have
5 adequate contentions that a priority designation is made;
6 and that logically it would be made in a panic button
7 situation, for example. And we have certainly alleged it
8 specifically enough to underlie the Doctrine of Equivalents
9 point, which is really a supplemental point to whether the
10 original contention is sufficient. And that will be
11 addressed when we get to it in the individual party motions.
12 That is why I didn't go into it in detail.

13 THE COURT: All right. Mr. Williams?

14 MR. WILLIAMS: We are ready to recess, Your Honor.

15 THE COURT: All right. Let's take 15 minutes, and
16 then we will go right through the balance of the motions
17 when we come back. I have got close to 10:30, so every
18 watch is probably clocked two or three minutes different.
19 We will roll in here at 10:45 and go through each of the
20 motions. So, all right? We are in recess for 15. Thank
21 you.

22 (Recess.)

23 THE COURT: You may be seated. I don't want you
24 to think you scared off my law clerk. She actually has my
25 permission to listen in back in chambers -- or in her

1 office. So, we can proceed with the motions. I assume
2 probably counsel doesn't need my help in who gets to go
3 first. So --

4 MR. WILLIAMS: Your Honor, we have an order that
5 we have done, which is Mercedes, and then Hyundai, then
6 Toyota, then Xata.

7 MR. DOYLE: Good morning, Your Honor.

8 THE COURT: Good morning. And you may want that
9 podium up a bit. That is up to you. Whatever is
10 comfortable for you.

11 MR. DOYLE: This will work fine.

12 THE COURT: Let me just ask a question. I think I
13 know the answer, and this is kind of to all of lawyers, some
14 cases -- not so much in a case like this -- if there are
15 multiple motions, the party opposing them may say, well, we
16 kind of discussed it and it would be easier if I got up
17 after the four of them made their arguments, because some of
18 the issues are the same, some of them are not. Or,
19 sometimes they would say, no, we would like to respond
20 specifically after each person and before we go on to the
21 next counsel.

22 I don't really have a view. If counsel agrees, I
23 am good either way. If they don't agree, we are not going
24 to spend a lot of time discussing the pros and cons of what
25 is fair to everybody.

1 MR. FARNEY: I think we have agreed that I wanted
2 to respond to each motion, individually. I think while
3 there is some overlap, most of which I have already
4 addressed on common issues, there is enough difference
5 that --

6 THE COURT: That is the way we will do it, then.
7 Whenever you are ready, Counsel?

8 MR. DOYLE: Yes, Your Honor. I do think our
9 argument is going to be a little bit different from what you
10 have heard so far.

11 THE COURT: It is. I think so.

12 MR. DOYLE: It is really Rule 11 and where we are
13 at and how we got here and what makes sense to do at this
14 point.

15 I don't need to go through all of the facts. You
16 know, basically you issued an Order in February which
17 required a very detailed identification of products and
18 claims, as well as reading the claim elements on to the
19 accused products, and also providing the factual -- a
20 specific factual basis for the contention.

21 So, I am just, right now, I am referring to the
22 literal infringement. So, what did they do and what have
23 they done since? What I am going to start with -- there are
24 two issues here. First, we think there has been a violation
25 of the Court Order, so we are requesting fees with respect

1 to the amount of work that we have had to do over the past
2 few months in terms of, you know, having to look at these
3 inadequate disclosures, tell them where they are inadequate,
4 get another disclosure, do the same thing.

5 I think Counsel's arguments earlier ring a little
6 bit hollow about how, you know, the process has worked out
7 so greatly and that they responded each time. I mean, the
8 fact is, it is not typical that we are sitting here in oral
9 argument talking about infringement contentions, you know,
10 months after a case has been filed.

11 THE COURT: That is true, while there is no
12 agreement on why we are here and whether we should be here,
13 this is indeed a rarity, at least in my experience with
14 patent cases. It is more the exception than the rule. It
15 happens, but it's not frequent.

16 MR. DOYLE: Right, and not with everybody.
17 Two points that I did take away from this morning's oral
18 argument was Counsel's statement that, you know, you can
19 rely on common sense in many instances, and also what I saw,
20 which was basically attorney argument.

21 I think it is fair to say that with respect to the
22 first contentions that were provided to us after the Court
23 Order, frankly there was none of either. There wasn't the
24 common sense argument, or the logical argument, nor the
25 attorney argument. There was nothing, frankly nothing.

1 In Claim 7, there were three elements that in the
2 claim charts counsel actually just stated that further
3 discovery or expert testimony later on will be able to
4 identify the facts relating to this particular claim
5 element. Your Honor, that is not sufficient. Can't do
6 that. That is nothing. That is a big zero.

7 And then with respect to the other claim elements,
8 they never identified where the location unit or where the
9 input unit or where the cell phone telephone transmitter
10 actually exists in our device.

11 Now, why didn't they do that? Well, they
12 couldn't. Why? Because they never got our device. They
13 merely went on a website. They pulled down what appears to
14 be one quote from the mBrace service brochure, page five,
15 which says: To initiate service, the customer presses the
16 iButton in the vehicle, and then there is vehicle
17 information, such as GPS, requested from a TCU. And then
18 there is an IVR which presents a menu of options. Customer
19 makes the selection traffic, and then there is, deliver to
20 mBrace.

21 After that, with respect to these three elements I
22 was just referring to, they go on to say that, you know,
23 expert, expert work and further discovery will be able to
24 identify these elements. That fails the Order, right on its
25 face.

1 You asked and you requested and you ordered that
2 they provide an identification of where the element was in
3 the accused device. That was not there. So, we provided to
4 them a very detailed recitation for every single claim
5 element. And I can tell Your Honor that for every element
6 of Claim 7 and Claim 12, they did not identify the alleged
7 unit, input unit, location unit, cell phone/telephone
8 transmitter, means for determining whether or not the cell
9 phone transmitter is in range of the network, the storage
10 device, the processor -- nothing. They identify nothing
11 where -- they did not identify where those are in our actual
12 mBrace or mBrace plus unit, not there.

13 And then as I said before for three of those, in
14 particular, the means for determining the storage unit, and
15 also with respect to the mobile unit controller, they said
16 nothing, other than that stock quote, and then said that
17 further discovery. I think on this particular point, Your
18 Honor, and as it relates to Rule 11, Rule 11 is there for a
19 purpose. And the purpose is not to be sitting five months
20 or six months later in litigation to talk about what has
21 been handed over, you know, very recently. It is about what
22 did they do before they filed suit?

23 Now, we have requested a limited discovery on what
24 they did do. Now, they have argued that, you know, it is a
25 fishing expedition. Well, Your Honor, maybe it is. But, it

1 is a fishing expedition in an aquarium where the fish has
2 already been spotted, and is now partially hidden behind the
3 coral. I mean, this is a case that I have never even seen a
4 case like this that, you know, where we shouldn't dictate
5 some sort of discovery based on what they did. And I think
6 the Federal Circuit if you read the *Judin* case is right on
7 point with respect to this, Your Honor.

8 In that particular case, there was an optical
9 device, optical imaging device. And the inventors, as well
10 as the attorneys, viewed it. They took a look at it by
11 looking at some bar code scanners. They said, well, it does
12 this, it does this. But, on a couple of the critical
13 elements, Your Honor, in particular, the laser light source,
14 as well as whether the lens was converging, they didn't do
15 anything. So, they didn't examine the physical units.

16 Now, later on in the case, as it is here, they
17 relied upon expert testimony. And they said, now we have
18 been able to satisfy it. We have an expert. But what the
19 Eighth Circuit said with respect to Rule 11 violations, it
20 is not what you did afterwards, it is what you did before,
21 whether you had a reasonable inquiry into what -- how there
22 was infringement. Here, Your Honor, we posit there was no
23 reasonable inquiry at all, barely an inquiry.

24 I mean, I think these charts could have been
25 written in ten minutes. All they did was take one quote in

1 three instances -- in one claim, and one instance in another
2 claim, and they said they needed new discovery and expert
3 testimony. That fails. It fails on all grounds, Your
4 Honor, therefore -- we are being conservative, here. We are
5 not moving for sanctions right now with respect to this
6 issue. We are merely asking the Court to consider a very
7 brief period of time. I think it could be one month. And a
8 brief, relatively few number of interrogatories and document
9 requests, and perhaps a two or three-hour deposition, to put
10 this issue to bed. And I think it is entirely reasonable
11 what has gone on, here.

12 I mean, again, we have had to deal with three
13 separate submissions. So, let's talk about those
14 submissions. The first submission, as I pointed out before,
15 was useless, irrelevant, had nothing to do whatsoever with
16 our product, because they didn't have the product.

17 Second submission, a little bit better. You get a
18 little bit about this stuff about GSM and some generalities
19 based on a diagram from Hughes Telematics, which happens to
20 provide some of the hardware for our unit. But, it wasn't
21 actually designed by them, in any event. There are other
22 people that were involved in that design. But, it was
23 better, but it still didn't identify where these particular
24 elements are in the mBrace unit. They didn't do that.

25 You know why? They didn't have the unit. They

1 still didn't buy it. For some reason, they didn't go get
2 it.

3 Finally, April 25th, April 25th, Your Honor, you
4 know, months after Your Order, months after the suit was
5 brought, they said: Okay, well after some delays, we
6 finally got the unit. And so now we can do a comparison.
7 And they do that comparison in their last.

8 Now, very interesting, Your Honor, I was
9 dumbfounded. In their brief, they actually argue, well, we
10 did get the unit, we did crack it open, but we didn't find
11 anything in there, nothing additional. And so, you know,
12 obviously the point they are trying to raise is what they
13 had before. Well, fine. Again, if that is the case, let's
14 stick to these initial contentions and just look at them,
15 Your Honor, look at them in chambers. It is unbelievable.
16 All they did was parrot the claim language back without
17 identifying where they are in our unit.

18 And I also find that comment in their brief
19 somewhat interestingly, given that their original claim
20 chart was 11 pages, whereas the one that they submitted on
21 April 25th was 57. I think they must have found something,
22 you know, after actually buying the unit.

23 In the *Judin* case, the Court said the same thing.
24 The Federal Circuit said, if there is a unit, go get it.
25 You had the opportunity to go look at it. Why didn't you do

1 it? And there is no reason that was provided to the Court.
2 The Federal Circuit stated that there was no reason why they
3 didn't go do it. It wasn't provided to them. But, they
4 didn't do it. So, they found that Rule 11 sanctions were
5 appropriate in that particular case.

6 Here, Your Honor, they are going to claim, well,
7 we learned nothing new, and he will stand up and say, you
8 know, common sense, and all of this other stuff. Well, they
9 did. They, for example, could actually do what you
10 requested, not all the way through -- trust me on that.
11 But, what you requested in your original Order, which was
12 just very simply, take the element and compare it to the
13 accused device and tell them -- identify it, and then
14 provide the factual basis.

15 Well, now if you actually look at their April 25th
16 submission, they have done that with a lot of these
17 elements. They say, okay, here is the location unit. We
18 believe if we open up the hood, we believe it is here and
19 here. This is where we believe the input unit is, this is
20 where we believe the mobile unit controller is.

21 Now, in terms of how these things operate, they
22 weren't able to provide too much information with respect to
23 that; but, more than they did in their earlier contentions.
24 So, we think that that is a clear, you know, on its face,
25 clearly that they were able to do a lot more now than they

1 did beforehand. Beforehand they did nothing, zero.

2 So, in that sort of circumstances, Your Honor,
3 Rule 11 sanctions are appropriate. And as the Federal
4 Circuit has said: It is not what you do later, it is what
5 you do before you brought suit. Now, I am not going to sit
6 up here and go into a long discussion about patent trolls.
7 But, I mean, these suits are all over the country. My
8 client is now involved in about 8 or 9 of these suits, from
9 trolls or non-practicing entities, Your Honor.

10 And, you know, in so many instances they get sued
11 with 15 other companies. We walk into court, we go through
12 this process. Clearly it is about getting settlement.
13 Well, my client is tired of it. And I think that we need to
14 abide by the Court's Rules and we need to abide by the logic
15 and the opinions from the Federal Circuit and also from this
16 Court, Your Honor. We don't think they have done that here.

17 Therefore, we believe that we request the limited
18 discovery period. It is not going to be some fishing
19 expedition. It is going to be very limited. We are
20 proposing something that would not be difficult to meet.

21 Secondly, Your Honor, real briefly, we don't need
22 to go into a lot, here, but as we stated before, they
23 violated the Court's Order. They did not even, at all, try
24 to meet that particular Order. And their March 15th
25 submission was ridiculous and did not do anything that was

1 actually set forth in your Order. All we are requesting
2 there is, you know, a modest and pretty conservative,
3 limited award of attorneys fees, basically for the amount of
4 time we had to spend looking at the deficiencies, pointing
5 those deficiencies out to them, getting another claim set,
6 and then having to do it again, and then finally getting to
7 April 25th and having to do it again. And so it is not a
8 lot of money, but it is just a point that when you bring a
9 case, make sure you do your homework beforehand. And then
10 secondly, when there is a court order outstanding, you need
11 to abide by it. Thank you, Your Honor.

12 THE COURT: Thank you. And we may have some
13 rebuttal, here. We will see. Mr. Farney?

14 MR. FARNEY: Just give me one second, Your Honor.
15 I don't quite know where to begin. I have been practicing
16 almost 30 years, and this is the first time I've stood up
17 and had somebody alleging that I violated Rule 11.
18 Essentially, there is no basis to any of Mercedes' positions
19 at all.

20 The one theme that ran through all of it was that
21 in the March 15th contentions, we didn't tell them where
22 particular components were. We didn't say where an input
23 unit was, where a location unit was, where a processor was.
24 The claim doesn't talk about where those units are.

25 We went through the claim before, and here is --

1 how do I put this up? Mr. Anderson here knows how to run
2 the equipment.

3 Here is what the patent requires. We went through
4 it. It requires an input unit responsive to an event or
5 condition information. It requires a location unit
6 responsive to GPS signals and generating a vehicle location
7 information; a cellular transmitter; a means for determining
8 whether the cellular transmitter is in range; a storage
9 device and a processor; and then sending the signal -- or
10 storing it when it is not in range and sending it when it
11 gets back in range.

12 In our March 15 contentions, we said you have an
13 input unit because you specifically say your mBrace unit
14 receives signals related to an event or condition, crashes
15 or --

16 THE COURT: And that was on the website that he
17 referred to?

18 MR. FARNEY: Yes, we had the materials from their
19 website. And we specifically said, you have an input unit,
20 and it is the unit that receives those signals related to
21 event or conditions. You have a GPS unit. You specifically
22 say that, that it is an mBrace, and we tell them that. You
23 have a transmitter. MBrace is specifically described as
24 working with a cellular network and having a transmitter in
25 it. The commercial standard networks, as we pointed out, do

1 all work where you don't transmit unless you are in range.
2 You have to have a storage device in order to store those
3 signals, and you have to have a processor to run it.

4 And it will work, our contention is, such that as
5 pretty much any cellular device will, that it transmits when
6 it is in range, as I just mentioned, and when it is not in
7 range, it will store it, and retransmit it when it is in
8 range. We satisfied everything that claim requires.

9 Mercedes wants us to say, you have to take the
10 product and show us where it is. He kept using the term
11 "where" all of the time. There is no -- there is nothing in
12 the claim that says the input unit has to be above the
13 processor and the location unit has to be to the right of
14 the input unit. There is none of that. It just has to be
15 part of the mBrace unit. And that was sufficient.

16 Now, when they came back and he tells you they
17 made specific complaints, they just complained that all of
18 it was insufficient. We thought, all right, we will just go
19 get further information about it and supplement to give them
20 even more detail. But, it didn't change any of our
21 contentions. It just elaborated on what the input unit was,
22 the location unit was, and so forth. And then when they
23 still complained, we thought, well, we will get a physical
24 unit. Maybe that will satisfy them. And it didn't change
25 anything, either. He is exactly right.

1 I am coming up here telling you that our initial
2 contention was that they had an input unit for monitoring
3 events and conditions. We cited to their website material
4 that said they did that. We were right. We got more
5 material, specs and so forth, and we were right. And we got
6 their product, and we were right. Our initial investigation
7 was perfectly adequate.

8 And they haven't shown any kind of extraordinary
9 circumstance. The only extraordinary circumstance, and the
10 only reason we are here is that all of these multiple
11 Defendants decided to gang up and make this an issue. But,
12 it has never been a real issue. It has simply been
13 something they raise every time. The contentions were
14 perfectly adequate from the start, and we simply
15 supplemented them as the cases allow us to do, as you asked
16 us to do if they had a complaint, to try to moot this whole
17 issue.

18 THE COURT: Well, in fact, you referred to their
19 position as creating imaginary issues, and parroting
20 complaints about defendants, and quote "kitchen sink"
21 nebulous objections.

22 MR. FARNEY: If I was a little overheated, I
23 apologize, Your Honor.

24 THE COURT: Well, all I --

25 MR. FARNEY: As I pointed out, this particular

1 motion, I thought, was completely over the top.

2 THE COURT: But that is how you view their
3 position.

4 MR. FARNEY: It is. There is no doubt it is. The
5 other points I make here is that he keeps referring to the
6 *Judin* case. The *Judin* case -- you can go read it. It did
7 not say, the Federal Circuit did not say you have to go get
8 the physical product. It is right in the case. It said, in
9 the *Judin* case they hadn't looked at all. The attorney
10 hadn't done any investigation at all. They simply relied
11 upon his representation of his client.

12 What it said was, you need to get the product or
13 technical information about the product. Mercedes wants to
14 read right past the phrase, technical information. We went
15 and got technical information from their website, which
16 plenty of infringement contention adequacy cases in
17 California and everywhere else have said can be sufficient,
18 and used that material to say, you have an input unit, a
19 location unit, transmitter, et cetera. That was enough to
20 support a reasonable, good faith belief that they had those
21 features that are required by Claim 7 --

22 THE COURT: Well, and --

23 MR. FARNEY: And then we went and got the product
24 if they complained, and it completely corroborated what our
25 reasonable belief was.

1 THE COURT: And obviously, there's numerous cases
2 out of the Circuit and across the country, and the cases are
3 very fact specific. And you have all read them. They look
4 at what the technology is, how reasonably accessible the
5 product was, how easy it was to examine, and how necessary
6 the examination -- I mean, the cases are very fact specific.
7 You each described kind of what happened here and,
8 obviously, I will have to make the call on it. But, you
9 have been both very clear on how you say, well, here is what
10 we have done up until now. And obviously, there is not much
11 you -- the characterizations you have, there is not a lot of
12 dispute about some of the facts, but there is significant
13 dispute about how you characterize what you had to do or
14 didn't do from both sides of the runway, here.

15 MR. FARNEY: I think the law is quite clear. We
16 had to have a good faith basis to believe that their product
17 satisfied Claim 7. And what we had to have a good faith
18 basis to believe is that they had an input unit responsive
19 to event and condition information, a GPS unit, a
20 transmitter that worked the way commercial transmitters
21 work, a storage device and a processor that worked the way
22 we have talked about.

23 Their materials that we had and we cited in our
24 initial contention on March 15th supported a good faith
25 belief of that. And that is all we had to do. They haven't

1 come anywhere near citing any kind of extraordinary
2 circumstance to justify any kind of fishing expedition,
3 which he admitted it's a fishing expedition, although a
4 strange one with a fish behind the coral. It is a fishing
5 expedition, and it is probably just to harass. I mean, he
6 basically admitted that his client is upset about this case
7 and wants to harass us. The whole comment about trolls
8 shows you what the mindset here is. They can call us trolls
9 or whatever they want to call us. This patent has been
10 cited over 400 times, as I mentioned. It was owned -- the
11 basis of a fundamentally strong business bought by Raytheon.
12 It was owned by Xerox. Xerox is not in a position to
13 effectively monetize the patent and sold it to a party who
14 could. There is nothing wrong with monetizing inventions in
15 the United States. Mr. Florey's Counsel, Fish & Richardson,
16 has written a very good article on this, explaining why
17 so-called trolls, otherwise called non-practicing entities,
18 provide a valuable service to the innovators of the country.

19 So, there is nothing wrong with it. It is a
20 pejorative term invented by Intel when they were mad about
21 some suits years ago. The originator of that term, you may
22 not know, went to work for Intellectual Ventures, the
23 biggest so-called troll in the country. But, that shows the
24 mindset, here. This is to harass us. This isn't a
25 legitimate Rule 11 inquiry. It is not even remotely close

1 to a Rule 11 inquiry.

2 We knew enough. The fact that we later went and
3 got the product to try to basically just get rid of this
4 issue, and move on with the case does not show in any way
5 that the original investigation wasn't sufficient to satisfy
6 Rule 11. We had a good faith belief.

7 THE COURT: All right.

8 MR. FARNEY: Now, let me just address briefly a
9 few other points.

10 THE COURT: Yeah, very briefly on that. Okay?

11 MR. FARNEY: The one thing I will point out is
12 that in none of their briefing did it even appear that they
13 complained about any of the adequacy of the current PICs.
14 So, at least as to the current infringement contentions,
15 there do not appear to be any disputes anymore. So, at
16 least if we get past this Rule 11 nonsense, at least as to
17 Mercedes, I don't think there's any further issues on that.

18 They made reference to us with respect to Mercedes
19 violating a Court Order, because again they are trying to
20 tie in their earlier Order. Mercedes wasn't even part of
21 the case at that time, independent of the fact that whether
22 that Order was something specific to this issue, finding
23 some earlier deficiency, which it was not, as I discussed
24 with you earlier.

25 So, in short, and I think our brief covers

1 everything, we had an adequate basis. There's no
2 extraordinary circumstances here at all to justify any kind
3 of discovery, and the contentions, as I personally said, are
4 adequate and we should move forward.

5 THE COURT: Thank you. I would like to hear a
6 response briefly from Mr. Doyle.

7 MR. FARNEY: Do you need this? I didn't really go
8 through anything.

9 MR. DOYLE: No, that is fine.

10 THE COURT: You are getting a workout putting that
11 in and out, the computer, and this is getting -- well, at
12 least we are getting a good use of it. So --

13 MR. DOYLE: It is a great invention, actually.
14 Your Honor, I will just go point by point. I am going to
15 skip the whole stuff about harassment.

16 First issue out of counsel's mouth was about why
17 did I just focus on where? Well, it is because you
18 requested where in your Order. You stated, and I quote,
19 "Where each element of each claim listed in one is found in
20 each product or method listed in two." So, that is why I
21 was talking about where.

22 And then two talks about including the specific
23 factual basis for each contention that the element is
24 present. You know, one thing that was interesting, Your
25 Honor, is counsel didn't discuss any of the claim terms that

1 we were talking about, or that I was talking about. But, I
2 am ready right now to actually just give you a little bit
3 more than just where. Because for each of these elements,
4 Claim 1, the input unit, responsive to an event or condition
5 associated with the vehicle, all they did there is say the
6 mBrace system has a unit, input unit that is responsible to
7 events or conditions associated with the vehicle, such as
8 vehicle direction. The input unit also provides information
9 describing the events or conditions to a mobile unit
10 controller which is part of the mBrace system.

11 Now, what is wrong with that? Well, they don't
12 identify what is the alleged input unit in our device,
13 number one. They don't say where it is in the accused
14 device. They don't explain the basis for contending that
15 the unidentified input unit is somehow responsive to an
16 event or condition, nor do they explain the basis for
17 contending that the unidentified input unit provides
18 information describing the event. All of the rest are
19 identical to that. But, I will just go to one of these in
20 which they, you know, punt for later down the road.

21 Means for determining whether or not the cellular
22 telephone transmitter is in the range of a cellular
23 telephone network. Plaintiff's contention: Because the
24 mBrace system transmits information via a cellular telephone
25 transmitter, we expect discovery and or expert testimony to

1 show that the mBrace system has a means for determining
2 whether or not the cellular telephone transmitter is in
3 range of the cellular network.

4 Your Honor, I don't think I need to go through all
5 of the deficiencies with respect to that. But, you know,
6 stating that they -- you know, essentially, we said, and
7 they went crazy on this, but we think that is an admission
8 that they had no factual basis at that point in time and
9 clearly didn't have it before they brought suit about this
10 particular contention.

11 THE COURT: And their observation both today and
12 in the brief before today that, well, it was all there on
13 the website. It was all there on the website. A person of
14 ordinary skill in the art would have looked at that and
15 said, there it is. And you discussed that in your initial
16 remarks. You heard the response. And you had anticipated
17 the response of, well, even after the device, I anticipate
18 Mr. Farney will say that they didn't learn anything new, so
19 their contentions didn't change. But, what is most
20 important for me to understand about your position on his
21 response to --

22 MR. DOYLE: His response? Poppycock. The mBrace
23 services brochure that they quote says: To initiate the
24 service, the customer presses the iButton in the vehicle.
25 The information location information, GPS location,

1 direction, speed, is requested from the telematics control
2 unit embedded within the vehicle. The IVR audibly presents
3 a menu of options. The customer makes the selection traffic
4 and the call with the location information is delivered to
5 the mBrace traffic management IVR system.

6 That, Your Honor, is the sum total of the
7 so-called evidence they -- I'm sorry, I don't want to use
8 the word evidence because they have a problem with that --
9 the facts that they refer to from our website. And that
10 same quote is copied for each element. So, I guess I would
11 ask the Court, you know, where does that in particular
12 disclose an input unit responsive to an event or condition
13 associated with the vehicle? Where does that show a
14 location unit which includes a satellite receiver? Where in
15 any of that does it disclose a cellular telephone
16 transmitter, which transmits information only when the
17 transmitter is in range of a cellular telephone network?
18 Where does that disclose anything about a means for
19 determining or not that the cell phone telephone transmitter
20 is in range of a cellular telephone network?

21 As Your Honor knows, the means for determining is
22 under 35 USC 112(6), which requires you to go to the
23 specification, identify the particular structure in the spec
24 and compare it to what we have in ours. None of that done.

25 A mobile unit controller. Again, is that in that

1 particular paragraph I just read to you? I don't think it
2 is. I don't see it anywhere in there. So, what I am
3 saying, Your Honor, in this case -- and he is right.
4 *Judin* -- the courts don't say you have to go buy the device
5 and rip it open and do all of this testing. They say you
6 can use product information. But, if you can meet the
7 standard with that product information, it is wonderful.

8 You know, if we had a specification or something
9 like that where they disclosed all of these units and what
10 they do, they could rely on that. I wouldn't be up here
11 right now saying that you had to actually go get the device.
12 But, they didn't have that. They relied on one paragraph
13 from the web page. That is not sufficient in any court,
14 Your Honor.

15 I just submit that that cannot be the standard
16 upon which somebody can fly by on infringement contentions
17 -- not infringement, but a pre-suit investigation, because
18 that was clearly where they were with the pre-suit
19 investigation.

20 And so when they weren't able, after we kept
21 complaining, okay, this doesn't do it, this doesn't do it,
22 finally they went out and bought the thing. Then all of a
23 sudden, wallah! They are able to actually identify the
24 claim elements. That is an admission that their earlier
25 stuff they couldn't do it with the product literature which

1 they had. What the Federal Circuit is saying, Your Honor,
2 is if the product literature is inadequate, or if you are
3 viewing even a device in the post office like it was in that
4 particular instance with a bar code is inadequate and it is
5 available, you have got to go buy it before you bring a
6 suit.

7 Now, one thing I think is very interesting, Your
8 Honor, is when they say, well, we went and we bought it and
9 we opened it up and we didn't learn anything new. Well, if
10 that is the case, Your Honor, this case should be dismissed
11 today. Because if there is nothing new from what they had
12 in their original contentions, there is nothing here and we
13 don't belong in this court, Your Honor.

14 Finally, just a couple of other points, Your
15 Honor. They make a point that we weren't part of the case
16 when Your Order came out? I mean, I think we are all going
17 by your orders whether or not we were actually part of the
18 case at that particular time. I don't know if he is arguing
19 that that is excusing him from following Your Order with
20 respect to us. I don't think he is going to make that
21 argument.

22 So, again, Your Honor, I didn't hear anything that
23 satisfies these issues that we have with respect to Rule 11.
24 But, again, we are not asking for extraordinary relief. We
25 are not asking you to issue sanctions here today. We are

1 asking for a very limited period.

2 We have been in this case now for many months. I
3 think one more month in which we just have, you know, four,
4 five interrogatory responses -- maybe two interrogatories,
5 three interrogatories, five requests, one three-hour
6 deposition; that is clearly not asking too much, Your Honor.
7 Thank you.

8 THE COURT: Thank you. Briefly, Mr. Farney,
9 before I move on to the next one?

10 MR. FARNEY: Yes, Your Honor. Just several
11 points. Sorry, I forgot to raise it.

12 THE COURT: That's all right. That is what it is
13 there for.

14 MR. FARNEY: She asked me to do it so she could
15 hear me.

16 The Court's Order did say, provide the facts for
17 where the elements are. But, what we had to do is to show
18 that the claim elements were satisfied by the product. And
19 we did say each of these things are in or part of the mBrace
20 unit. And that satisfied the where at that point in time.

21 When we say the product doesn't add anything new,
22 it is not that it doesn't provide additional supplemental
23 information. But, what we say is our original good faith
24 belief from the information in their website that they had
25 each of these components was not changed by opening up the

1 product. In fact, it was corroborated.

2 We looked. There has never been a Rule 11 finding
3 or even a Rule 11 investigation where the original technical
4 information relied upon by a party was accused of being
5 inadequate or insufficient, and the later actual product
6 showed that their good faith belief was exactly accurate.

7 We weren't guessing. We didn't just, like in the
8 *Judin* case, not even look at it. We had their website and
9 their technical information and you can read those
10 contentions. They are clearly less detailed than what we
11 have given them now, but they were sufficient to show you
12 have got something that monitors the event or condition. It
13 is our contention that will be the unit. You have got a GPS
14 location unit. You have got a transmitter. You can't
15 operate on a cellular network without a transmitter. You
16 have got a transmitter, and so forth. You can read the
17 contentions, and they were definitely adequate to form a
18 good faith belief. They are the infringement cases at the
19 formation of the case.

20 Now, one of the points that he brought up that I
21 wanted to address, and this is the last one I will address,
22 Your Honor, is there were three features, you may recall
23 that I mentioned, all of which relate to the source code.
24 That at this point in time what we can have is a good faith
25 belief based on how other indications in their materials, or

1 experts, or common sense as to how things will work, which
2 is nothing wrong with that, you can use expert experience to
3 determine how things will work. For instance, these three,
4 the cellular transmitter transmits only when in range.

5 Well, we do know they use a cellular network, a
6 commercial cellular network and they will only transmit when
7 in range. But, you know, to actually prove that with direct
8 evidence, you would get the source code, which would have
9 some portion of which would say, don't transmit unless you
10 are hearing the carrier wave.

11 In that instance, we did say in our initial
12 contentions that you have the transmitter and it transmits
13 only in range, and we expect discovery and/or expert
14 testimony to show that.

15 Now, all of the Defendants have taken that phrase
16 which I have learned not to use again, that we expect
17 discovery to show as an admission somehow that we didn't
18 know it at the time or didn't have a good faith believe as
19 to it at the time. What we meant that phrase to convey,
20 which is what we explained in more detail in later PICs, we
21 have a good faith belief you have it there, because for
22 instance in this first one, all of the commercial networks
23 work that way.

24 We expect that when we get the source code, that
25 will provide the direct proof. All of the cases that

1 involve software or source code make clear that -- a
2 proprietary code, anyway -- that a plaintiff can't know in
3 the sense of pure knowledge how that source code works until
4 they get it. But, they can have a good faith belief based
5 on circumstantial evidence, or manifestations, as the one
6 court phrased it.

7 So, when we said we expect the expert testimony
8 and/or discovery to show, it wasn't like we just sued you
9 and we had no idea, we were going to figure it out later, it
10 is that we have a good faith belief you do it because of the
11 information we do have, but it will take a source code to
12 prove the case. And there is nothing wrong with filing a
13 patent case based on that good faith belief.

14 So, the sanctions he is seeking, clearly not
15 warranted. The discovery, is totally not warranted. There
16 has been no showing of extraordinary circumstances. The
17 March 15th contentions were adequate to show we had a good
18 faith belief, which is the Rule 11 issue.

19 Whether the contentions were adequate or not for
20 purposes of moving forward in the case is mooted by the fact
21 that we supplemented them into quotas, which was the Court's
22 suggestion that we do if they make complaints. So, we don't
23 have the, are the contentions adequate to go forward? We
24 only have the Rule 11 question, and we submitted enough
25 evidence to make it clear there is no extraordinary

1 circumstances to justify any kind of discovery.

2 THE COURT: I will deem that one submitted.

3 Obviously, there is not a significant dispute about some of
4 the procedural history, but there is a very significant
5 dispute about how you have each characterized where does
6 that leave us today. So, I will deem that submitted and we
7 will move on to the next --

8 MR. DOYLE: Your Honor, if I may make one very
9 brief statement?

10 THE COURT: Yes, all right.

11 MR. DOYLE: Because I think it is inaccurate that
12 counsel keeps putting up these three elements, and we had an
13 issue with all of the elements. With respect to these three
14 elements, they are a combination of hardware and software, a
15 cellular transmission, a processor which does certain
16 things, and then also a mobile unit controller.

17 They were able to actually identify those
18 particular units, or what they believed to be those
19 particular units by opening up our top and saying, this is
20 where this is, this is where this is, and this is where this
21 is and this is how they communicate from one to the other.

22 So, they did get additional information by
23 actually buying our product. And the question remains, he
24 still hasn't brought up why they didn't buy it or why they
25 didn't look at it before they brought suit. So, this is not

1 merely a source code issue. Those three elements he just
2 raised were combinations of hardware and software. And they
3 have learned additional information in their last, April
4 25th.

5 And then finally, I want to be very clear, Your
6 Honor, we are not stating that we think their April 25th
7 contentions are sufficient, far from it. We don't think we
8 infringe this thing, and they still don't disclose anything
9 about the cellular transmitter being within range, or the
10 prioritization of messages, or other of the functional claim
11 limitations that are actually set forth in the claim.

12 Now, they are obviously stating that they need to
13 get the source code to do that. Our point is they provided
14 nothing, nothing, nada to us in that original March 15th,
15 other than that one paragraph marketing piece that talks
16 about pushing an iButton and getting some information via
17 satellite. That doesn't satisfy that claim when you look at
18 it on a claim by claim and an element by element basis.

19 THE COURT: Well, and where you significantly --
20 the two of you part company is, Mr. Farney said, yes, we
21 looked at that information, that technical information, or
22 product information on the website. We say with the
23 information we had, we had a good faith basis to make these
24 claims. Therefore, we didn't have to go out. Yes, we could
25 have gone out and purchased the device, but given the

1 information we had, we didn't have to do it at that
2 pre-suit. I mean, I think that is where the two of you
3 significantly part company.

4 MR. DOYLE: Yeah, and that is why we are
5 advocating, Your Honor, that that is exactly correct. We
6 don't think that one paragraph gave them the adequate shows
7 good faith or reasonable inquiry. But, that is why we are
8 suggesting we do this 30-day discovery period to find out
9 what they did have. Was it good faith? And we think that
10 once we look into this -- and it is not going to be a
11 fishing expedition -- we will see that they didn't.

12 THE COURT: All right.

13 MR. DOYLE: Thank you.

14 THE COURT: Take the next defense counsel?

15 MR. CONRAD: Thank you, Your Honor. Could I
16 borrow that slide, Plaintiff's 27.

17 THE COURT: That is a popular slide today.

18 MR. CONRAD: We are sharing, Your Honor. Your
19 Honor, I will do something that is unusual for a patent
20 attorney. I am going to attempt to be brief and concise.

21 I apologize if I am not able to do so. My name is
22 Dan Conrad. I am here this morning on behalf of Hyundai.
23 We filed our own separate motion.

24 THE COURT: Right.

25 MR. CONRAD: Let's get to the crux of what I am

1 requesting from this Court.

2 We would like PJC to be held to their current
3 contentions. So, whatever they are alleging as the location
4 unit, I think they cite to the GPS, we want them to be held
5 to that, and not allowed to amend those.

6 And let me give my request some context, Your
7 Honor. We believe that we have some very strong
8 non-infringement arguments in this case. For example, we
9 talked quite a bit this morning about the storing of the
10 data when the device is out of range. And here is the
11 important part of that claim. Later on, determining when
12 you are back in range, retrieving that stored data and then
13 sending it on.

14 Let me explain to the Court my understanding as to
15 how Hyundai's automobiles work. If there is an event where
16 they are trying to transmit the data, they try to transmit
17 the data several times. And if they are unable to transmit
18 the data if they are out of range, they basically tell the
19 operator, we are out of range. Dial 9-1-1. In essence, you
20 are on your own. They don't store it. They don't try to
21 send it later. And I am going to present evidence to Your
22 Honor that shows that there's no material questions of fact,
23 here. We just don't do this.

24 And so the context of my request to this Court is,
25 please, we are asking to hold them to their current

1 contentions. Because we believe that we can resolve the
2 infringement issues fairly quickly before this Court in an
3 early motion for summary judgment.

4 THE COURT: Now, of course, and Mr. Farney will
5 correct me if I have taken his position too far, but he may
6 get up and say: No problem. Because if we change them, we
7 are going to have good cause to do it. And we are going to
8 be able to show why we are changing them. So, we don't
9 really have a problem with what they are saying.

10 MR. CONRAD: In that case, I think we can agree.
11 If for some reason I am mistaken, if I am not understanding
12 my client's product correctly and the discovery comes out
13 that they do really do this, then I think that would
14 demonstrate the good cause. But, I think we should hold
15 them to that standard, that they must have some sort of good
16 cause to amend.

17 THE COURT: All right. Thank you very much.

18 MR. CONRAD: Thank you.

19 THE COURT: Now, I am curious, I'm tongue in
20 cheek, I shouldn't be getting off -- we should stay on
21 course, here. It has nothing to do with the merits. But, I
22 hope that -- and I was actually in my -- I have five
23 daughters, so I think they might have all of the products of
24 all your client's cars. But, I was in a Hyundai out in
25 Portland, Oregon a week ago, and I don't know if hers was

1 working or not, but you are supposed to dial 9-1-1 if
2 you get -- I am just kind of joking with you, but I don't
3 know if those operators would be very --

4 MR. CONRAD: Thank you.

5 THE COURT: Mr. Farney?

6 MR. FARNEY: Your Honor, I had a longer response
7 ready for Hyundai, but given his brevity, I will --

8 THE COURT: Maybe you should start with his
9 response or his comment about the good cause. We can go
10 wherever you want, but --

11 MR. FARNEY: Well, I think that's -- I guess, and
12 this is not too dissimilar from their position on the Joint
13 Motion. I mean, our position is that we have given them
14 adequate contentions. If the Court concludes that the
15 contentions are adequate at this point, I'm not quite sure
16 what sanctions they want to be held to the current
17 contentions.

18 If we are entitled to get discovery as to his
19 point about -- on the issue of whether they send in range or
20 out of range and we get that discovery -- and that discovery
21 either supports our case, and we don't need an amendment, or
22 we just supplement with citing to new evidence. Or it
23 justifies if we come to show you there is a reason that we
24 should change this and we have good cause for doing so, you
25 will address the good cause issue at that time and we will

1 have that debate. That is not any different than we would
2 expect the case to operate, anyway.

3 We would expect the next phase is to have the
4 discovery. And if they file some premature summary judgment
5 motion, we would get at least sufficient discovery to be
6 able to respond to the summary judgment motion. And if it
7 warrants amendment and we can show good cause, we get to
8 amend it. If we can't show good cause, we don't. And the
9 question of what good cause would be would obviously be --

10 THE COURT: Or, again, not to create an issue
11 where there isn't one, but in some cases -- and I will stick
12 to patent cases, but the scope issues of discovery aren't
13 unique to patent cases. But, in this context, I could see
14 it arising even sooner than that, depending on how counsel
15 for Hyundai, Mr. Conrad, sees the case. They could say,
16 well, this particular piece of discovery they want is
17 unrelated to this contention. And until there is a ruling
18 by the Court -- I have seen it come up that way, as well.
19 But, probably the exception, rather than the rule.

20 But, you are saying, Judge, well in the unlikely
21 event, as you see it, that would happen, that is how it
22 would be handled by you. So --

23 MR. FARNEY: I think the difference between if you
24 would deny their motion as we request, and the case goes
25 forward to a normal discovery, and we don't intend to be

1 broadcasting about discovery, we are going to want exactly
2 what you would expect, the source code and some basic
3 schematics. Then the case will proceed in a normal way.
4 And if we believe we need some person to testify, we will
5 address it at that time.

6 If you grant their motion, even with their kind of
7 oral modification today, then I think we are going to end up
8 with some discovery fights that are sort of unnecessary,
9 because then we are going to have an argument about whether
10 whatever we are seeking is within or without this fixed
11 contention.

12 I mean, it will almost pre-preface the good cause
13 issue which doesn't seem to me to be the efficient way to
14 proceed. The other comment I would make is that effectively
15 counsel just got up here and told you they do infringe.
16 Because what he said is that he doesn't think they infringe
17 because when they tried this in the 9-1-1 signal, if it
18 fails, it will retry. Well, if it is going to want to send
19 a 9-1-1 signal, it is going to check to see if it is in
20 range. If it is in range and it sends it, fine. If it
21 determines it is not in range, it is going to store
22 somewhere that message. And it is going to check to see if
23 it is in range. And when it is in range, the processor is
24 going to retrieve that signal and send it. That is the only
25 way an electronic device can work.

1 So, when you see something that says, as you will
2 see in another Defendant's product, we have a redial feature
3 or a retry feature, it is our position at least at this
4 point that that will show that that element is met. Because
5 it can't really do it without storing it when the first one
6 failed and then retrieve it when they get back in range.
7 So, we think you are going to find a more interesting
8 argument between the counsel than to say, an easy showing by
9 Hyundai that there is no infringement. We think that
10 feature is going to show exactly infringement.

11 THE COURT: All right. Mr. Conrad, would you like
12 to respond to just a suggestion that maybe you have admitted
13 to infringement?

14 MR. CONRAD: I would like to belie the Court of
15 that assumption. We do not infringe. We feel strongly that
16 we don't. The claim clearly requires determining that you
17 are not in range, holding on to it and storing it. And then
18 later on when you are in range, then re-transmit or
19 re-attempting. We just simply don't do that.

20 And if Mr. Farney interprets my argument earlier
21 as some sort of admission that we infringe, I apologize;
22 but, we clearly do not.

23 THE COURT: All right. We will move on to the
24 next defense counsel.

25 MR. WINLAND: Good morning, Your Honor, Tom

1 Winland on behalf of Toyota. And I will try to be very
2 brief, since you have heard a lot of argument ahead of me.
3 I would like to address right up front this issue of good
4 cause.

5 If Your Honor finds that the Doctrine of
6 Equivalents is out of the case, I have been around the block
7 a few times, Your Honor --

8 THE COURT: Yes, you have.

9 MR. WINLAND: And I know how these things play
10 out. And I can see what we are heading to and I would hate
11 for the Court just to kick the can down the road on this
12 good cause issue, because we are going to be submitting our
13 non-infringement contentions. And my concern is that when
14 we identify what is missing, the missing elements in the
15 claims, that counsel for PJC is going to say: Well, this is
16 news to us. We had no idea that these differences existed.
17 And frankly, Your Honor, we think that is not the case. And
18 that an order that you issue in response to these pending
19 motions ought to try to address that in the sense that there
20 are certain elements, two of them have been discussed
21 already, the transmit only within the range element and the
22 signal prioritization element. We pointed out a couple of
23 other elements. In the Toyota motion, specifically, there
24 is a requirement for a processor that controls a storage
25 device in response to a particular thing, in response to a

1 determination as to whether the transmitter is in range of a
2 cellular telephone network.

3 Interestingly, Your Honor, in the declaration of
4 an expert that they submitted with respect to our claim
5 charts, that expert never addressed that particular
6 limitation, the limitation with respect to -- the "in
7 response to" limitation.

8 And also curiously, Your Honor, perhaps by
9 accident, but the abbreviated charts that Mr. Farney put up
10 today nowhere mentioned the "in response to" limitation.
11 Perhaps by accident, Your Honor, perhaps not. Our position
12 in terms of the good cause is, Your Honor, if they had an
13 expert who is walking through the claim elements and he
14 identified in his declaration how Toyota was working, and he
15 couldn't say anything about the "in response to," then they
16 have reason right now to believe that there is a difference
17 between Toyota's system, the accused systems, and the
18 claims. And that difference should have been articulated
19 with respect to the Doctrine of Equivalents, Your Order No.
20 3.

21 Again, we are not in the ordinary situation of
22 just an original pleading, we are in the context of
23 responding to Order No. 3. That required them to identify
24 the differences existing. And their statement that there
25 are no differences is belied by the fact that their own

1 expert couldn't address that particular requirement in his
2 discussion of the Toyota system.

3 But, I think that same comment applies also with
4 respect to the other two claim limitations that have been
5 previously discussed today. And I don't need to belabor
6 that point again.

7 In Claim 12, it calls for a vehicle condition
8 sensor. When they were in the Patent Office, Your Honor,
9 trying to get these claims allowed, they told the Patent
10 Office that there is a difference between a vehicle
11 condition and an event. And they said an event is a very
12 short, a thoroughly short duration occurrence. And a
13 condition is something that goes on considerably longer.

14 In their claim charts with respect to that claim
15 element for Toyota, they refer to, as their basis for
16 infringement, the sensor that deals with airbag deployment,
17 or collisions. Those are event sensors under their own
18 interpretation of the claim. And to the extent they know
19 that, then they know there is a difference between the
20 Toyota accused system and the claim that they are asserting.

21 So, our suggestion, Your Honor, is that Your Order
22 address, at least to the some extent, to the extent
23 possible, what we are going to need to see in the way of a
24 good cause finding down the road, and it ought to be tied to
25 whether the differences were ascertainable at the time their

1 infringement contentions were submitted.

2 THE COURT: And I think that's -- I will be
3 curious to see Mr. Farney's response, because it goes back
4 to something I said. I didn't use quite the language you
5 used when we first began this morning, saying, well, I have
6 an idea of how I rule -- no matter how I rule on these, we
7 are going to revisit some of these issues. And you probably
8 used more straightforward language than I did saying,
9 kicking the can down the road.

10 But, we will see what Mr. Farney says, because
11 apart from how you both disagree significantly about the
12 adequacy, there probably are some things I could do
13 procedurally to benefit everybody. So --

14 MR. WINLAND: And Your Honor, just to close, we
15 believe these contentions were so deficient with respect to
16 at least these four elements, the two raised in the Joint
17 Motion, and the two raised in our motion, that certainly we
18 join in Mercedes' request for some limited discovery as to
19 the pre-filing investigation basis for filing suit.

20 THE COURT: All right. Thank you. Mr. Farney?
21 And I keep calling on you, Mr. Farney. I don't mean to
22 exclude Mr. Anderson in any way, or the other counsel at the
23 table. In fact, it is so unlike him to remain so quiet
24 during --

25 MR. ANDERSON: I am just pushing the buttons, Your

1 Honor.

2 THE COURT: That may be significant to keep
3 everything moving here.

4 MR. FARNEY: Your Honor, if I can have just one
5 second?

6 THE COURT: All right.

7 (Discussion off the record.)

8 MR. FARNEY: The thing that wasn't working was me,
9 not the elmo. Your Honor, I want to make a presentation of
10 a few points regarding what Toyota said, but I want to first
11 talk about this "in response to" limitation. We need to
12 zoom this out a little bit. There.

13 I did have -- you will recall when I was trying to
14 explain to you Claim 7 in sort of easier terms, I did put
15 up, you will see where it says a processor right here?

16 THE COURT: Right.

17 MR. FARNEY: Interacting with the transmitter and
18 controlling the storage device in response to whether the
19 transmitter is in range of a network, the processor
20 performing the functions of storing when out of range and
21 retrieving and sending when in range. When I did the
22 shorthand, I took that out, because it is our position and
23 this may come up as an issue in claim construction that I
24 didn't appreciate was a claim construction issue; but, it is
25 our position that when we show or contend that a device is

1 storing -- or the processor is storing the information in
2 the storage device when it is not in range and retrieving it
3 when it is back in range, that it is doing that in response
4 to the transmitter being in range. That is how the
5 processor is determining whether it is in the in the range
6 condition or the out of range condition.

7 There is the means for determining whether it is
8 in range, which is detecting the carrier wave, the processor
9 will get that signal. And implicitly, what we were saying
10 there is when it is storing or retrieving in range or out of
11 range, it is doing it in response to whether the transmitter
12 has determined it is in range. So, I didn't mean to go off
13 past that. To me it is really subsumed in the "in range"
14 discussion we have been having. But, I didn't mean to treat
15 it as not a requirement. It is a requirement, but it is
16 implicit, we think, in the discussion that I have been
17 having.

18 And I didn't leave it out of the summary because
19 we didn't think we could show it, I just viewed it as part
20 of the -- you could paraphrase by just paraphrasing the in
21 range or out of range part and still include that
22 requirement.

23 And I will go through this briefly, but the
24 three points that Toyota made, Your Honor, counsel for
25 Toyota, they did in their brief talk about infringement by

1 equivalents and we have addressed that and I want to address
2 it again.

3 They talked about the "in response to" limitation,
4 and then the vehicle condition sensor limitation, which
5 was -- they are the only party, I believe -- Hyundai may
6 have raised that, as well, but they are the one party who
7 really focused on that.

8 This is the -- my paraphrase was left out, the "in
9 response to" but this is what we are talking about in their
10 first complaint, and vehicle condition sensor in Claim 12 is
11 what we are talking about in their second complaint. And
12 here is where I included the "in response to the transmitter
13 in range."

14 Here is what we contended. We contended the
15 processor will store the information when it is out of
16 range, it will store it if it is out of range and retrieve
17 when back in range. And we pointed to their own material,
18 among which it states the following: Safety Connect, which
19 is what Toyota's system is called.

20 Safety Connect works on one of the nation's
21 largest cellular providers. In addition, Safety Connect's
22 external antenna and retry redial process may connect when a
23 cell phone will not. And again, as I just discussed in
24 connection with Hyundai, at least one example of an
25 infringing structure in the operation that we are going to

1 talk about is that redial feature, when it tries to dial and
2 can't work, because it then determines it is out of range
3 and retries later, that storage and retrieval process will
4 be satisfied in the claims.

5 So, we specifically pointed to that and told them
6 this material is an example of what we consider to be
7 satisfying that "in response to" limitation in the "in or
8 out of range" limitation. So, we have given them a
9 contention on it and specifically pointed to evidence
10 supportive of it, which is their own materials.

11 I won't go through this in great detail, but this
12 is some of the material we provided in our contention, that
13 here is Safety Connect. One of the signals it will send out
14 is if there has been an airbag deployment or collision.
15 Along with that, I should back it up, it will send the
16 vehicle's location. It sends exactly what the patent
17 requires.

18 It is a cellular system. It is a little hard to
19 read there with that little yellow block at the bottom,
20 their material is calling it cellular. And then it says,
21 here is the quote I read you: It will retry if in a bad
22 cell network, if it is sort of spotty range like we have all
23 had with our phones. It will retry again, and keep retrying
24 until it gets to the center.

25 Now we also mentioned, and I won't dwell on this,

1 but in the briefing we mentioned they also have a patent
2 which describes doing what we consider to be part of the
3 infringing process. And they took us to task a little bit
4 saying, relying on a patent isn't proper. And what I wanted
5 to point out was that patent is cited in their materials.
6 They have marked their product with the patent. And under
7 the law, you cannot -- and I am sure Toyota complied with
8 this and thought about it. You cannot mark your product
9 unless you are in fact using that feature in your product.

10 So, this wasn't something where we just randomly
11 grabbed a patent, you know, off of their website and said,
12 oh, you may be doing it. It is a patent which they have
13 marked their product with. So, it is more connected. And
14 we don't cite this as sort of our only evidence --

15 THE COURT: Right.

16 MR. FARNEY: We simply say it is corroborative of
17 our overall view.

18 There are two different cases that I will just --
19 I won't go into the quotes about them, the *EON* case and the
20 *NCT* case where the complaints made in those cases are very
21 similar to what Toyota's are here. And really they are what
22 we should be trying the case about. There are disputes
23 about whether they meet the limitation or not, but there is
24 no dispute that they know what we contend infringes and why
25 we contend it infringes or satisfies a particular element.

1 I want to go to the vehicle condition sensor
2 point. That was the second point. We pointed out as an
3 example of vehicle condition sensor, that they do have, as
4 he pointed out, an airbag deployment or collision signal.
5 And there is a sensor that will get that signal.

6 And his argument is that there is a distinction
7 between event and condition in Claim 7, because Claim 7 has
8 the event or condition language. But, Claim 12 doesn't have
9 that event or condition language. Claim 12 reads
10 differently. Claim 12 says this: A vehicle condition
11 sensor for generating signals varying with the operation of
12 the vehicle.

13 Now, I believe what I am hearing is that Toyota is
14 going to contend when we get to claim construction that in
15 Claim 12 when it says vehicle condition sensor, that has to
16 be limited to signals that relate to condition. But, we
17 don't think that limitation is necessarily there, because
18 the reference to event and condition in Claim 7 is one
19 thing.

20 Here all the sensor has to do, although it is
21 called a condition sensor, is generate signals varying with
22 the operation of the vehicle. And certainly a collision
23 signal or an airbag signal would be a signal that varied
24 with the operation of the vehicle. So, we really don't
25 think this is a matter of our contentions are inadequate, we

1 think it is a matter of there may be a claim construction
2 dispute between the parties as to what the proper scope of
3 that claim should be.

4 And as these cases and other cases I have cited
5 arguing claim construction points under the guise of
6 adequacy of PICs is not an appropriate challenge to the
7 infringement contentions.

8 Under Rule 11, if you look, the first
9 contentions -- I mean, Mercedes made a lot of points about
10 the March 15th contentions, and later we got a lot better.
11 You remember all of that discussion?

12 THE COURT: Yes.

13 MR. FARNEY: Toyota, the first contentions they've
14 received were -- because they came into the case later --
15 was in June. And we actually had the problem in their case
16 already. So, those contentions, you can go look at them,
17 are voluminous, and as thorough as even Mercedes was saying,
18 or a little better, at least.

19 If there is no case for Mercedes, which we clearly
20 think there is not, there is even less of a case for Toyota
21 to argue any kind of rule on that basis. Both Toyota and
22 Hyundai, unlike the other parties, who at least wrote us and
23 identified what they thought were deficiencies and gave us
24 an opportunity to respond, neither Toyota or Hyundai have
25 done that. They jumped immediately to the request for

1 sanctions stage. I think that is all.

2 THE COURT: Thank you. Mr. Winland, if you would
3 like to respond? The podium is yours. I don't know if you
4 need any -- all right. We are good. We are good.

5 MR. WINLAND: Again, very briefly, Your Honor.
6 The summary chart again that he referred to at the beginning
7 of his remarks, or his response to me, did not quote the
8 claim language accurately. The claim language says: A
9 processor, interacting with the cellular telephone
10 transmitter, and here is the relevant portion, and
11 controlling the storage device in response to the
12 determination as to whether or not the transmitter is in
13 range.

14 He left out the words "the determination" in his
15 discussion.

16 As far as the redial aspect, Your Honor, there is
17 again no discussion in the claim charts or in any purported
18 Doctrine of Equivalents analysis in their contentions with
19 respect to the "in response to" requirement of the claim,
20 which is different than what he was referring to as the
21 redial.

22 What we are talking about is a processor
23 controlling a storage device. So, how does that processor
24 control the storage device? And that is just missing.
25 That is not relevant to his argument about the retrieval or

1 redial.

2 The reference to Toyota's patent, Your Honor,
3 whether a single patent claim -- or if a single patent claim
4 covers a particular product, then you can mark the product
5 and you should mark the product. But, that is not an
6 indication that all of the features described in the patent
7 are being used commercially by Toyota. The fact that a
8 single claim may be practiced is not evidence as to the
9 entire disclosure of the patent being practiced by Toyota.

10 So, we think under the controlling law that we
11 cited, it was inappropriate for them to base a contention on
12 that. And it didn't really address the deficiencies that we
13 pointed out with respect to the claim language.

14 The issue here, again just to come back, Your
15 Honor, is compliance with Order No. 3. And where do we go
16 from here? And we believe that Doctrine of Equivalents
17 contentions, given their knowledge of differences, or the
18 reason they should have had knowledge of differences, that
19 Doctrine of Equivalents should just be out of the case for
20 now and a requirement of good cause should be imposed.

21 And back to parallel Hyundai's comments, with
22 respect to holding them to their allegations, with respect
23 to that issue of event versus condition, they told us what
24 they believe. Under Order No. 3, they've told us now that
25 we can rely on their assertion of why that condition sensor

1 is satisfied. And they pointed to the collision sensor and
2 the airbag sensor.

3 What we are concerned about, Your Honor, is a
4 moving target. And if somewhere down the road they are
5 going to say, oh, no, the condition sensor is satisfied by
6 something else. We believe they should be held to their
7 current disclosure, their current contention. Thank you.

8 THE COURT: All right, thank you. Mr. Farney?

9 MR. FARNEY: Just a few points. If I held up an
10 incomplete version of Claim 7, I may have done it in haste.
11 But, Claim 7, the Court has it and can read it and the point
12 about the "in response to" limitation being relevant to the
13 processor knowing whether it is in range or out of range is
14 the same; that our contentions are adequate there.

15 The Court can read them in the portion of the
16 Toyota contentions where they are, where that element is
17 addressed, and we contend it is adequate for the reasons I
18 have stated. The statement that the redial or retry feature
19 is not in our claim charts is inaccurate. In that same
20 area, the Court will see that the Toyota material, which
21 refers to the redial feature that I had up on the slide, and
22 we will provide slides to the Court and to the other parties
23 tomorrow once we return. We just don't have copies now.

24 We agree -- on the patent, as I said, we are not
25 using it as direct evidence, merely corroborative. The fact

1 that they mark it means they are at least using some of that
2 patent technology in the thing, and it does talk about doing
3 the redial in a way that would infringe. I will note a
4 patent, by the way we consider it humorous. That it cites
5 the '844 Patent as a relevant prior art.

6 Finally, the last point raised by Toyota's counsel
7 seems to be what they are all trying to get at, which is
8 this moving target question that we are going to keep
9 changing our positions. And I think this goes back to the
10 good cause question.

11 We've shown that we had a good faith belief that
12 they infringed across the board. We have given them the
13 contentions so they know exactly what the products are.
14 They all know the issues well enough now they can come up
15 here and argue individual claim construction points.

16 We are entitled to go to discovery phase; that is
17 the way the Federal system is set up. The Federal Circuit
18 has reiterated that infringement contentions are fine, but
19 they are not to supplant the notice and the discovery
20 process of federal litigation.

21 We are entitled to get into that. If we come to
22 you with a requested change or amendment in the contentions,
23 that will be the time to address it. We don't have any
24 intention of doing that. We think all of the discovery is
25 going to be corroborative of what we have contended so far.

1 But, when we get that source code, if there is a basis, a
2 good faith basis for us to make a change, or you make a
3 claim construction ruling that we believe is as good as a
4 good faith basis to change, all of the case law is
5 consistent that we are entitled to do that. The time to
6 address that is then. They are trying to preemptively
7 decide it now before you have the facts of whether there is
8 good cause or not. I think that cuts across all of the
9 motions that you have heard so far.

10 THE COURT: All right. Mr. Winland? Did you have
11 anything else, sir? Thank you. Last, but not -- no, we
12 have two more. We have two more.

13 MR. FLOREY: Thank you, Your Honor.

14 THE COURT: And you were referred to as an author
15 earlier.

16 MR. FLOREY: I think they were talking about my
17 firm. And I think Mr. Farney was referring to some articles
18 about cases where actual inventors are actually trying to
19 get benefit out of their patents. This isn't the case here.
20 His client has nothing to do with these patents. He bought
21 them on the open market for the express purpose of going out
22 and suing people. He is not the inventor. He has no
23 relationship to the inventors. It is a very different
24 circumstance. But, we will put that to one side.

25 THE COURT: All right.

1 MR. FLOREY: I think our motion is a good one to
2 go last, because I think it really crystalizes some of the
3 issues the Court is struggling with here. So, I want to
4 step back to the beginning of the case.

5 PJC went out and they didn't come and sue Xata
6 which makes these products, they went out and sued dozens of
7 Xata's customers. And that, of course, was an enormous
8 burden. You know, when your customers get sued, everybody's
9 hair is on fire, right? They are very unhappy about that.
10 And that imposed an enormous burden on Xata, initially. And
11 we have worked through many months now to finally get the
12 customer cases stayed, and focus the issue here on Xata and
13 PJC.

14 But already in the context where there has been
15 quite a bit of expense and burden on my client, we are now
16 faced with the question of do we go forward with very
17 burdensome and very expensive discovery? And if so, how
18 much? What is the scope of that?

19 And I would submit that under both the Rule 11
20 standards and Pretrial Order No. 3, the adequacy of these
21 contentions and the scope of these contentions really relate
22 to what comes next. What discovery should be on the table?
23 And that is where I want to focus my argument.

24 And I have a little bit different answer for Claim
25 7 versus Claim 12, and I want to step through those. But, I

1 think that we are right on both points. So, let's start
2 with Claim 7. And so you can follow along, perhaps later,
3 when you are reviewing this in chambers. I want to give
4 very specific cites.

5 I am going to be talking about the Gerasimow
6 Declaration, which is Document No. 152 at Exhibit G, and in
7 particular three pages. Exhibit G is Doc. 152-7, and it is
8 page 17 of 52, 18 of 52, and 19 of 52.

9 And these are the three pages where -- these are
10 the current contentions, now. This is their, I think, third
11 try at making contentions on Claim 7. And these three pages
12 are where they set forth their -- PJC sets forth its
13 contentions on one of the key elements to Claim 7. And that
14 is, transmitting information on to a cellular telephone
15 communications link only when the transmitter is in range of
16 the cellular telephone network. So, I think we have
17 agreement here, this is a very clear claim limitation. In
18 order to infringe, your cellular transmitter has to transmit
19 only when it is in range, not transmit all the time. And if
20 it is in range, fine. If it is not, fine. It has to
21 affirmatively figure out, am I in range? And start and stop
22 and start and stop.

23 So, what is striking about their contentions is,
24 first of all, nowhere in these three pages do they actually
25 say that Xata's product does that. There is nowhere in here

1 that say when Xata's transmitter transmits only when it is
2 in range.

3 What they do is, the first two pages, you know, in
4 gory detail go through the fact that we have a cellular
5 transmitter. And we agree, we do. We have a cellular
6 transmitter. So, the first two pages really are frankly
7 meaningless. The third page, they then say that we have an
8 antenna for our cellular transmitter. Absolutely, we sure
9 do, we have a transmitter and we have an antenna, none of
10 that tells you at all, or gives them any basis to allege
11 that that transmitter transmits only when it is in range of
12 the network.

13 Now, I think really for the first time, Mr. Farney
14 in his argument has been spinning out an argument that,
15 well, we alleged -- we pointed to a standard and quoted a
16 standard which shows why you must be doing this, and so that
17 is good enough.

18 I would like to read what their contention says in
19 that respect. There is a sentence here on page 19 of 52
20 below the picture of the antenna that says: We have a
21 cellular telephone transmitter for transmitting information.
22 Okay, fine.

23 Then, in particular, the connect port X5 shown
24 above supports GSM, GPRS, CDMA transmitters, wherein each of
25 GSM, GPRS and CDMA refers to a cellular communication

1 standard. Period. That is it. The standard isn't
2 identified. There is no explication of what the standard is
3 and why it means we must be doing this. It just says, we
4 refer to some unidentified standard.

5 And what Mr. Farney said up here is, that means
6 that we must be doing this. So, now they get to do tons of
7 discovery to see whether it is true or not. And I would
8 submit, Your Honor, at this point that is just
9 inappropriate. They don't know what our product is doing.
10 They didn't know before they filed suit. None of this was
11 in their initial contentions. Now it is in there. But,
12 they don't know. They are guessing. They are pointing to
13 an unidentified standard and guessing.

14 In any case in the country, someone can always
15 say, well, you must be doing that. You have a car. It must
16 have cruise control. You have a refrigerator, it must have
17 an ice maker. That can't be the standard for either suing
18 someone in Federal Court or even beyond that, then being
19 allowed to pursue discovery as to that claim element.

20 On this one we say they should be held to their
21 contentions, that is what we mean. I don't think that this
22 current allegation in any way, shape or form supports
23 forcing my client to spend money to do discovery on this.
24 There is just nothing there. To say we refer to a standard
25 is frankly meaningless.

1 So now I would like to move to Claim 12 where it
2 is a little bit different. It wasn't different at first.
3 Initially, the initial round of contentions that we received
4 was essentially the same, they punted. But now finally, I
5 will agree, and Mr. Farney said it, on this third round they
6 have finally identified specifically a feature that they
7 claim practices signal prioritization. And that is the
8 panic button. Okay? Fair enough. The panic button has
9 been identified. They have contentions on that. I get
10 that. And I do think, to be clear, that at this point that
11 they should -- we will produce source code for how the panic
12 button works. Right? They should be allowed to pursue some
13 discovery on that point.

14 Here is the problem, though.

15 THE COURT: There is a magical button, there?

16 MR. FLOREY: Right. Will you give me a hand,
17 Doug?

18 MR. WILLIAMS: The green page, doc camera, what?

19 MR. FLOREY: There you go. And Doug doesn't know
20 how to. Okay, here we go.

21 Here is the problem. Here is what their
22 contention says, though. "Review of the mobile unit
23 controller source code will confirm that certain operator
24 input messages such as the panic button trigger shown above
25 will be transmitted in accordance with a different

1 priority."

2 So, what they are saying is we want to go fishing
3 through the source code and see what the heck we can find
4 and, you know, we know we are accusing the panic button, but
5 they are trying to not limit this case now to the panic
6 button. It is certain operator input messages, and the
7 source code will confirm that. They have no basis for
8 alleging that. The only thing they pointed to is the panic
9 button.

10 In terms of Xata, this case should now be about
11 the panic button. They should not be allowed to rummage
12 around through our source code looking to cook up something
13 else. The discovery should be limited to the panic button.
14 That is pretty clear. And that is why I popped up earlier
15 when Your Honor asked, does anybody have any tie into
16 discovery? Yes, we do. Yes, we do.

17 This contention is bogus. The statement that
18 certain unidentified operator input messages, which we have
19 no idea what those are, may come into the case later. That
20 is just wrong. The case should be about the panic button,
21 and that is the basis of our motion on Claim 12. Thank you
22 very much.

23 THE COURT: All right. Thank you.

24 MR. FARNEY: Your Honor, just one moment.

25 THE COURT: All right.

1 MR. FARNEY: Operator error. I keep forgetting to
2 plug it in.

3 THE COURT: Now by operator, do you mean yourself
4 or Mr. Anderson?

5 MR. FARNEY: Yes, yes. Not Mr. Anderson, of
6 course.

7 MR. ANDERSON: I have now proven that contrary to
8 what I said several hearings ago where I was just here as
9 another pretty face, that I am not here as just another
10 pretty face.

11 MR. WILLIAMS: We will stipulate to that, Alan.

12 MR. FARNEY: Your Honor, I am taking just a moment
13 to try to condense their response. Mr. Florey basically
14 made two arguments, both of which are related to limiting
15 the scope of discovery in a way that I have never seen a
16 case do or heard of a case do. We give him an example of a
17 panic button. The contention that certain operator input
18 messages such as the panic button will have a priority
19 designation, and we give some support with respect to the
20 panic button. To limit it just to the panic button I think
21 would be inappropriate.

22 Most, in fact every discovery order that I can
23 think of that has ever addressed the scope of discovery
24 allows discovery to proceed upon a particular feature that
25 is at issue in the case, and reasonably similar features.

1 And if we get to that issue, which I don't think is
2 presented by this motion at the moment, as to what the
3 proper scope of discovery is, I think we can address that
4 and address that in a way that would show you that whatever
5 discovery we are seeking is appropriate.

6 But, what His Order asked was that in his motion,
7 which is what we should be addressing here today, is that we
8 be barred from supplementing or amending our contentions.
9 So, if you were to read that order, that is the relief they
10 requested. That means we don't need any discovery, because
11 we can never amend, anyway. We don't even need a claim
12 construction because we couldn't amend, anyway.

13 What Mr. Florey is really trying to do with his
14 motion by seeking to bar us from any amendments or
15 supplementation to the contentions from the way they are now
16 is to short-circuit all discovery, all claim construction,
17 and just short-circuit right to the end.

18 But, the Federal Circuit has repeatedly said that
19 is not the purpose of contentions. The contentions are to
20 provide notice of what the contentions are, to guide
21 discovery, and to guide it in a way that the parties then
22 don't go off to whole different products, or whole off the
23 reservation, and in a computer case you can easily see that
24 happening. Here they have three products, XATANET,
25 MobileMax and Turnpike. Our discovery will be as to the

1 source code related to the operator input message versus the
2 vehicle input message, which is two elements we did allege
3 and show contentions for. That will then identify if there
4 is any other priorities things and we need to amend the
5 priorities, we can come to you and say we have good cause to
6 do it, and you can address the good cause at that point in
7 time. But, to try to limit discovery now with something
8 unusual in a short way would be inappropriate.

9 THE COURT: I think he is saying in different
10 words than Mr. Winland was saying, and Mr. Winland used the
11 phrase, well, depending on how the Court rules, you could be
12 just kicking the can down the road. Because even if I don't
13 do the "D" word, discovery, and just rule, then there's
14 going to be arguments from both sides of the aisle on, well,
15 what effect, if any, does this have on discovery? And I
16 suspect Mr. Florey will correct one or both of us when you
17 are done, but I think what he is saying is there is a good
18 faith basis to make the argument on the panic button, and
19 let's just take them at their word. But, we don't want --
20 why would we go on some -- and of course, whether or not
21 there is a scope of discovery issue, and just what that
22 would mean with respect to, well, what does it mean when we
23 snoop around with a source code? I guess that is premature
24 to say what that is until we get there, because maybe that
25 involves significant additional discovery, maybe it does

1 not, even if he is correct.

2 MR. FARNEY: I think my point is that the relief
3 they are seeking, which is a preemptory limiting order on
4 discovery without you having the facts of what the discovery
5 request is, is asking you to prejudge something that you
6 don't have the situation in front of you.

7 In Claim 12, the first element says a vehicle
8 condition sensor. We addressed that earlier. I forgot the
9 phrase, but it talks about an operator input signal. And we
10 haven't made allegations that they provide for operator
11 input, and we never made -- we haven't made allegations that
12 they have vehicle condition sensors.

13 We are certainly entitled -- he is not going to
14 come up here and ask you to limit that in any way. If we
15 ask for discovery about their operator input messages
16 consistent with our allegation of that element, it would by
17 definition get into the discovery of whether those are given
18 priority, because it is all going to be within the same
19 related source code.

20 Would we then be coming back to you and fight in
21 front of you that we can get it for this purpose but not
22 this purpose?

23 I just think what they are trying to do now, which
24 they have cited not a single case in support, is to try to
25 limit the case in a way that they can take an unfair

1 advantage and preclude reasonable discovery. If we go off
2 the reservation and ask for discovery later that is
3 inappropriate, they can bring it up. Judge Rau can address
4 it. But, to try to prejudge that now is inappropriate.

5 The issue before you now is were our contentions
6 adequate to identify for them what our infringement theories
7 were, and to identify what the basic products accused are?
8 And we have done that.

9 Now, to go back, I got a little out of order, to
10 go back on Claim 7, he argued that we have not made any
11 allegation that it transmits only within range, and that is
12 just wrong. He didn't go quite far enough. He stopped at
13 page 19 of that exhibit. If you go on to page 23, for
14 example, and you can look at all of this material from about
15 15 or 16, up to about 25 or 27, it talks about they use a
16 GSM-compatible transmitter. And he says, okay, so we do.
17 So what?

18 Well, it is appropriate for us to say you use a
19 GSM transmitter, and a GSM transmitter works this way. It
20 works in accordance with the standard. Otherwise, one GSM
21 transmitter couldn't talk to another GSM tower. It is
22 perfectly appropriate.

23 It is not appropriate, as he said, well, there is
24 a car. It must have a cruise control. But, we can say,
25 there is a car, you know, and it complies with some standard

1 that it couldn't be a car on the highway without it, because
2 you have got a standard you have to meet. Here we talk
3 about the authentication process and the control signal, and
4 we talked about how GSM works by detecting the control
5 signal to determine if a tower is in range, and then doing
6 an authentication. That authentication is the prerequisite
7 for being able to communicate. And part of the
8 authentication is detecting the carrier signal.

9 So, we did show in our contentions that it will
10 only communicate if it is authenticated. And it can only
11 authenticate if it has received a carrier signal. So, we
12 made exactly the allegation he says we didn't make. He just
13 didn't go far enough.

14 So, the bottom line on Xata, Your Honor, is that
15 we did provide adequate contentions on the issue he raised
16 here about the "only" signal. We did raise adequate
17 contentions about the panic button, and the vehicle
18 condition sensor, and the operator signal. And the relief
19 they are requesting is inappropriate.

20 Now, interestingly, he didn't really address what
21 they addressed in their brief, the in range limitations, and
22 we did address in our brief that those contentions were
23 adequate. It is the same thing you have heard several times
24 today about storing when it is out of range, and retrieving
25 when it is in range. And we think our contentions were

1 adequate. And I won't address those unless Mr. Florey does
2 first.

3 THE COURT: All right.

4 MR. FARNEY: I think we have done that. But, the
5 two points he did raise, the authentication discussion does
6 address the only issue, and the allegations regarding
7 vehicle condition sensor and operator signal will give us
8 the right to the discovery on the operator signals, which if
9 that then justified an amendment to our supplementation to
10 the panic button feature on the priority designation, that
11 would be addressed at that time whether that was good cause.

12 THE COURT: All right.

13 MR. FLOREY: Very briefly, Your Honor. I think
14 Mr. Farney has just hit the nail right on the head here by
15 referring to page 23.

16 So, they have done a traditional claim chart where
17 they have broken out, here is the element, and then here are
18 the facts that correspond to that element. What Mr. Farney
19 just referred Your Honor to on page 23 is not corresponding
20 to the element I was talking about, it is corresponding to a
21 different claim element of determining whether or not the
22 cellular telephone transmitter is in range of the network,
23 okay? Let's find out if I am in range. That is a different
24 element. That is a different feature.

25 And they haven't quoted a standard, they have

1 quoted from a website called Electronics.Howstuffworks.com.
2 So, it is just a generic discussion that wouldn't even
3 apply, necessarily, to our product. But, putting that
4 aside, it is a different claim element. The claim element I
5 am talking about is -- oh, and then Mr. Farney said that
6 this shows that we only communicate when we are in range.
7 That is what he said page 23 shows.

8 This is the problem. The claim element that I am
9 referencing on page 17 requires that it only transmits when
10 it is in range. It has nothing to do with this back and
11 forth pinging to see, am I in range or not? Will my
12 communication go through or not? I think we all can agree
13 if you are out of range, you can't communicate. That is not
14 rocket science. But, this claim element says that to
15 infringe the claim, your cellular transmitter only transmits
16 when you are in range, and it has the ability to determine
17 that and do that.

18 And again, there is nothing in their contentions
19 here. They don't say we do that. They don't show any part
20 of our system that does that. They have half of a sentence
21 that says we refer to a cellular communication standard,
22 which is not identified, not explained, not tied in in any
23 way. And yes, I think that is inadequate at this point to
24 go forward on this claim with discovery at this point.

25 They just haven't made a sufficient allegation.

1 They should stand on what they have. If they are going to
2 bring in an expert to say there is some, you know, generic
3 standard which I am not going to quote, and this must be
4 happening, if they think that can meet their burden of
5 proof, fine. We will fight that out on Rule 56. But, I
6 don't think this justifies discovery.

7 On Claim 12, again, I think Mr. Farney has hit it
8 on the head. He has basically admitted, they have
9 identified the panic button and now they want to rummage
10 through the whole rest of the system to see if they can cook
11 something up. But, look, he is right, they have looked at
12 our technical literature, and every single feature in our
13 product is identified. We don't have any secret features,
14 right? The fuel tax calculator, and the hard-braking
15 monitor. They are all identified.

16 And after looking at that list, the only one that
17 they have a reasonable basis apparently for alleging it
18 infringes is the panic button. And what Mr. Farney said
19 earlier in the day is the reason. He said, well, think
20 about a panic button. If you push a panic button, it would
21 make sense that that is going to get prioritized, right?

22 There is a basis there. We disagree with it, but
23 at least there is a basis for alleging prioritization. That
24 is not true with the fuel tax indicator or the hard braking,
25 all of this other stuff. There is no reason to believe at

1 all that any of those are prioritized at all. And he hasn't
2 cited any, he hasn't identified them, he hasn't said why he
3 thinks there is prioritization with these other features.
4 He just wants to impose upon us the burden, essentially, of
5 trying to prove we don't infringe. He is trying to flip the
6 burden around. And that is just wrong.

7 At this point we have gone through this deliberate
8 process. We have identified the panic button. That is what
9 this case should be about. It shouldn't be this wide open
10 fishing expedition at this point. We think that is
11 reasonable and that is what we are seeking here today for
12 Claim 12. Okay? Thank you.

13 THE COURT: Thank you. Mr. Farney?

14 MR. FARNEY: Your Honor, three quick points. The
15 material about authentication, the ending discussion about
16 the only transmit in range limitation that he is talking
17 about, it does talk about -- it does that because it is
18 consistent with the GSM standard. The discussion about the
19 authentication was a little later, but it related to that
20 GSM standard. And I think that gets me to a point that I
21 should have raised in my first remarks.

22 Mr. Florey's request to have this dramatic
23 draconian limitation on the discovery gets to the point of
24 what the adequate remedy here is if you think any of their
25 complaints about the contentions are correct. We cited to

1 you the *Samsung* case and several of the cases that said, if
2 the Court concludes that the contentions are inadequate in
3 some respect, that the proper remedy is to order
4 supplementation.

5 And we even cited you the case, and it was the
6 *Samsung* case, I believe, where there had been -- and there
7 are several others, where there had been several voluntary
8 supplementations back and forth between the parties like we
9 have had here. And the parties then, just like they are
10 trying to do here, sought some kind of limiting sanctions,
11 and so forth, for allegedly inadequate contentions.

12 And the Court said he actually found the
13 contentions adequate, but said had they not been adequate,
14 it still would have been inappropriate to impose the
15 sanction they wanted. The proper sanction would have been
16 to order supplementation, because it had been the first time
17 the Plaintiff had an order explaining what is inadequate.

18 So, that goes across the board as to any of these,
19 as well, that if the Court was to conclude that there is
20 some contention that is inadequate or there should be
21 something added here, the proper remedy isn't all of this
22 draconian relief you have heard from all of these parties,
23 the proper remedy would be for you to order supplementation.
24 You have never ordered -- you have never seen or reviewed
25 our PICs until this process. And we have never had the

1 benefit of any decision from you that anything is
2 inadequate.

3 We have spent quite a while here explaining why we
4 don't think they are inadequate, but if you were to disagree
5 with us, I should have addressed that the remedies they are
6 seeking now, when you look at the case law that was
7 addressed before, are totally inappropriate. And Mr.
8 Florey's comments reminded me that I should bring that up.

9 THE COURT: All right.

10 MR. FARNEY: The last point by Mr. Florey is I
11 think his relief, in particular, is inappropriate when you
12 are reminded that he filed a declaratory judgment against
13 us. They filed a declaratory judgment against us, so they
14 are going to take the position that when we sued some of
15 their customers that allegedly infringed, they can file a
16 declaratory judgment against us, and then limit discovery to
17 whatever our contentions are to prove infringement. I do
18 think Mr. Florey stands in a position different from the
19 other parties in the fact that he is a DJ plaintiff, and so
20 I will at least make that distinction, as well.

21 THE COURT: All right. I will ask Mr. Florey if
22 he thinks he should be viewed differently because he is a DJ
23 plaintiff.

24 MR. FLOREY: No, absolutely not, Your Honor. We
25 filed a declaratory judgment simply because our customers

1 had been sued. We had agreed to indemnify them. It was
2 clear we were going to be stepping into their shoes. It
3 doesn't fundamentally change any of the Rule 11 or burdens
4 of proof here.

5 PJC is still the patent owner and the Plaintiff.
6 They still have the burden of identifying infringing
7 features and providing a reasonable factual basis for
8 thinking those features are there before they can go forward
9 with their case or their discovery. And the procedural
10 posture of who filed what claims really doesn't matter.

11 In fact, in most cases, the defendant files a
12 counterclaim, a declaratory judgment counterclaim, right?
13 That happens all of the time. That doesn't somehow relieve
14 the plaintiff of their duty to have adequate basis for
15 filing suit and going forward. It just doesn't.

16 THE COURT: Anything further on that, Mr. Farney?
17 Now, I will go over to defense counsel, first. On the --
18 unrelated to a brief discussion about the next conference,
19 timing of my decision, any other issues as to the status of
20 the case that you wish to address, unrelated to those, we
21 will take those in just a moment. But, as to the arguments
22 this morning, anything further, Mr. Williams, by you or any
23 of your co-counsel?

24 MR. WILLIAMS: No, Your Honor.

25 THE COURT: Same question of Plaintiff's counsel.

1 MR. FARNEY: No, Your Honor.

2 THE COURT: Then I will deem the matter submitted.

3 MR. FARNEY: I have to unplug this.

4 THE COURT: Certainly. Thank you for your
5 arguments. I announced at the beginning of the arguments
6 that it would hopefully be shorter, but it won't be longer
7 than 45 days for an opinion. And then I talked about the
8 issues that sometimes come up in other cases of, well, then
9 here is the unintended consequence as a result of that, or
10 no consequence at all, or we need your help, the Court's
11 help, because we can't agree on what we should do between
12 now and then and the effect that should have, and I
13 mentioned a couple of other things I won't repeat.

14 Our next status conference is set for
15 September 12th at 9:00 a.m., which means, of course, that
16 you will have the decision before then. And assuming we
17 keep that date, unless there is some discussion now or in
18 the near future, well maybe we should move that date for
19 other reasons; but, let's stop there and let's first of all
20 talk about the timing of my decision and see if there are
21 any concerns by Plaintiff or Defense Counsel on, well, that
22 affects the following issue and we don't agree on how to
23 resolve that. So, who wants to step to the plate, or off
24 the curb first, as it were?

25 MR. WILLIAMS: Your Honor, I think that I would

1 assume, then, that your Scheduling Order would then follow
2 that --

3 THE COURT: We would make the adjustments and keep
4 everything -- unless there are, again, one or more of you
5 are saying, wait a minute. That should have no effect on
6 the following issues between now and then.

7 But, we would typically make those adjustments
8 unless something is brought to our attention that said,
9 well, there are some things that we think should be
10 happening, and we can't agree, so we are going to have to
11 have the Court decide. And maybe something will come up you
12 don't foresee; but, yes, we would make those adjustments.

13 MR. WILLIAMS: Then given that, Your Honor, I
14 think what would make sense is that we would put on the
15 agenda for September 12 status conference would be an update
16 to -- each party's proposed updates to the Scheduling Order
17 in light of your decision that we would get by that time.
18 And then also, we could make a proposal as to how much time
19 we would need to sort of look at that then to engage
20 Magistrate Judge Rau for the settlement process and how that
21 would work, and then lay that out at the September 12th
22 meeting, as well?

23 THE COURT: What does the Plaintiff think of that
24 plan?

25 MR. FARNEY: First, as to your first question

1 about the Court's indication of 45 days or so for the Order,
2 Plaintiff is fine with that. And then I think we would just
3 continue to postpone the rest of the schedule until after
4 the Order.

5 THE COURT: Yes, that would make sense, unless one
6 of you is thinking, well that may make sense in most cases,
7 but there is something that we are going to have to either
8 agree on or get the Judge to decide. That makes sense to
9 me.

10 MR. FARNEY: I think that is fine as far as the
11 settlement discussions. Plaintiff is open to whatever the
12 Court wants to do there. I suspect, given the remaining
13 parties, that there is not likely to be much settlement
14 activity until we get a ruling here.

15 And then after that, who knows, there still may
16 not be much activity toward settlement, but I would suspect
17 that -- I mean, we are open to doing it anytime you would
18 like, but I would suspect that doing it sometime after we
19 have your ruling may be helpful.

20 THE COURT: Well, and I was going to suggest,
21 obviously leaving some discretion to all of the lawyers, if
22 one or more of you say, well, if we had known back on that
23 date in July what we now know, whether that is next week or
24 a few weeks from now, we would have asked the Judge to do
25 this. I am not surprised with what I am hearing. The

1 emphasis that Judge Rau and I would like to make, not unlike
2 other cases, is kind of the uniform philosophy of this
3 District, even though there is some nuance to MDLs, of
4 course. But, on the one hand, you heard me open up earlier
5 this morning, I don't think it is fair to say, well, we are
6 not really interested in the stage of the case, we are going
7 to order everybody into settlement. I think that that
8 should be the rare case.

9 However, sometimes lawyers will say, and you kind
10 of both just said it, all of you. Well, really we are at
11 the stage now where we know one thing probably for more
12 certain than anything else, is we need your decision.
13 Because occasionally lawyers will say, probably not so much
14 in this circumstance, the leverage is gone for one or more
15 of us if we get your decision, so can we get access to some
16 settlement discussions before? I didn't think I would hear
17 that from anyone here.

18 I think what is important for everybody to know,
19 and this won't surprise anyone, is then we will come back
20 with that in mind for September 12th. However, one thing we
21 should discuss at that time, unless something changes
22 between now and then from one of your points of view, and
23 then we would make ourselves accessible is, I think it is so
24 crucial to -- and sometimes the Judge does it over the
25 objection of one or more of the lawyers, but hopefully that

1 is the exception -- is to hear from counsel as you get the
2 decision and we get to the next step to say, well here is
3 what would really be important to us if the Court could make
4 a decision on the following issue or issues, this might
5 facilitate settlement.

6 Obviously, some cases can't and shouldn't be
7 settled, that is why courts are here. So, if there is that,
8 we will probably discuss that, as well, just to run people
9 through the drill. That doesn't seem fair to you or your
10 clients, but if there are decisions, in fact sometimes --
11 because we have a collegial Bench.

12 It has even happened in my Guidant MDL where I got
13 a call from Art Boylan saying, you know, can you come to the
14 settlement conference? If you could give them a decision on
15 this, or which way you are leaning, we might be able to make
16 some progress here. And without that, we are not going to
17 make any progress. So, we will engage ourselves that way
18 with everyone.

19 So, where that leaves us, unless I have
20 misunderstood one or more of you, we will be back here on
21 the 12th, unless some compelling circumstance would -- and
22 then we would have a status conference like we had before.
23 You will have come here with the decision of the Court, and
24 then we will discuss any agenda items you placed on, we will
25 discuss the pros and cons of any settlement issues and

1 whether that is premature, any related issues to discovery
2 and the general status of the case. And maybe there will be
3 issues of staged limited discovery and spacing things, maybe
4 not, but the things that normally we discuss for responsible
5 case management. So -- go ahead?

6 MR. FARNEY: The only -- and we are not asking for
7 this, but a comment or a suggestion I could make that I have
8 seen some courts do, and sometimes it helps. If the Court
9 were to in the next couple of weeks issue a simple order
10 telling us the date on which you are going to issue the
11 decision --

12 THE COURT: I can do that.

13 MR. FARNEY: I have seen that. So if you tell us
14 the decision is coming out August 15th --

15 THE COURT: I can do that.

16 MR. FARNEY: -- something like that, sometimes
17 August 10th the parties begin to focus a little more --

18 THE COURT: I can do that.

19 MR. FARNEY: And that sometimes can help. But,
20 that would be the only thing.

21 THE COURT: I can do that. Mr. Florey?

22 MR. FLOREY: Briefly, Your Honor. I have a little
23 bit of an unusual situation in this regard. The people I
24 have primarily been dealing with at Xata in this case were
25 the general counsel and the chief financial officer. And

1 both of those positions turned over last month, so we have
2 new people who came on board last week.

3 THE COURT: A lawyer's dream, right?

4 MR. FLOREY: I haven't talked to them. I am
5 talking to them tomorrow.

6 THE COURT: I don't mean to make light of it.
7 Obviously, that changes a lot of things.

8 MR. FLOREY: It does. So, I will have new input
9 from new client contact people I will be talking to
10 tomorrow. I honestly have no view about what their idea of
11 a settlement meeting is going to be. If they say to me, we
12 would love to meet soon in the next three weeks --

13 THE COURT: We will make it happen.

14 MR. FLOREY: Can we call?

15 THE COURT: Yes. We will make it happen.

16 MR. FLOREY: I just don't know.

17 THE COURT: And I would say that if something
18 changes for anyone. We will make that happen. The other
19 thing that oftentimes we discuss is the issue, separate from
20 that, but it relates to settlement is, well, are there
21 crucial issues for one or more parties where they say -- and
22 frankly speaking, one of the criticisms, not limited to MDLs
23 of Federal Courts, are one size doesn't fit all, so can the
24 Judges stay more involved in the discovery issues without
25 being the enablers of not having lawyers talk to each other,

1 because sometimes the cost of discovery and in these days
2 electronic discovery -- that is not fortuitous, it is a big
3 topic at conferences everywhere about, well, the cost of
4 litigation is driving settlements more than the law.

5 And so, we want to make ourselves accessible
6 without being enablers, as well, to discuss those issues, as
7 well, if it seems fair to all of the parties, as opposed to
8 taking shortcuts or cutting off issues.

9 For example, there are some districts, no one in
10 our court that I am aware of, and some State Courts, as
11 well, States Judges who say, we are not hearing any motions,
12 we are not doing any discovery until we have the following
13 settlement discussions. Well, that may work in some cases
14 for lawyers and their clients, but may be very unfair in
15 many others.

16 So, where that leaves us, then, and you can expect
17 to hear from me in the next couple of weeks or less, I will
18 give you a date in which a decision will come out. And then
19 absent some other extraordinary circumstance or approach for
20 one or more parties to engage in settlement conferences,
21 because we will make that happen.

22 We are due back together on September 12th at
23 9:00. We will likely then start in the conference room.
24 And then if there are -- and then move to the courtroom. I
25 would like to indicate, maybe all of the other lawyers knew

1 this, there weren't any requests today from any of the other
2 lawyers who had been present in the past to participate by
3 phone or listen in, at least we didn't get any requests
4 through my chambers. That is the reason I was silent on
5 that.

6 So, I guess with that in mind, anything further on
7 behalf of the Plaintiffs?

8 MR. FARNEY: Just one quick thing. Mr. Florey's
9 comment was interesting about the changeover of his client.
10 I was going to ask when he talks to his client, if he would
11 at least check to see if they have a willingness to talk to
12 my client? In Xata's case, in particular, my client who is
13 a very active member and a well known member of the trucking
14 community for a number of years and knows a lot of those
15 people, they were having some discussions, and they hadn't
16 been able to reach a close, but were having some discussions
17 during the spring. And it may well be if we can put those
18 two parties together, the principles in the case, and get
19 the lawyers out of the loop, that there may be some
20 possibility of a resolution there.

21 So, if they are open to that, I think having a
22 call with my client, without the lawyers involved, it might
23 at least produce something.

24 THE COURT: All right. So, I will assume if I
25 hear from you, and we will make that happen, I will give an

1 update to Magistrate Judge Rau.

2 Anything further, then, on behalf of the
3 Defendants other than I hope -- and I am not joking, I hope
4 you understand if anybody has a medical condition or
5 diabetic or something, you are always free to bring in
6 whatever you need when we go this late, because some people
7 have to for other reasons other than restroom issues have to
8 take snacks or juice or something. But anything, Mr.
9 Williams?

10 MR. WILLIAMS: No, Your Honor, I have plenty of
11 medical conditions. I have a calendar that keeps
12 progressing and I get older and older and older.

13 THE COURT: I think that may be true for most of
14 us. Anything further on behalf of any of the other defense
15 counsel?

16 MR. DOYLE: No, Your Honor.

17 THE COURT: Mr. Anderson? Or any other folks at
18 counsel table have anything further? All right. We stand
19 adjourned. Safe travels. And thank you for your arguments
20 today. Thank you.

21 ALL COUNSEL: Thank you, Your Honor.

22 (Adjournment.)
23
24
25

* * *

I, Jeanne M. Anderson, certify that the foregoing
is a correct transcript from the record of proceedings in
the above-entitled matter.

Certified by: s/ Jeanne M. Anderson
Jeanne M. Anderson, RMR-RPR
Official Court Reporter